RESUMPTION OF ORDERLY DECLINE ★

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

ARCH 12, 1960 85 CENTS

RAPEUTIC EFFECT OF A RRECTIVE RECESSION ON OUR ECONOMY

By ROBERT B. SHAW

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High Cost COMMERCIAL OMIC ENERGY Cannot npete with OIL TODAY

— Nor for Years to Come

By JOHN H. LIND

ecial Security Features...

Reappraising 1960 look for CONSTRUCTION

By RUSSELL CHARLES

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Old "5c & 10c" STORES CCESSFULLY COMPETE DEPARTMENT STORES

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nparison of Investment ALUES IN 14 MAJOR NANCE COMPANIES

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mparing Advantages for Industry in RTO RICO and JAMAICA

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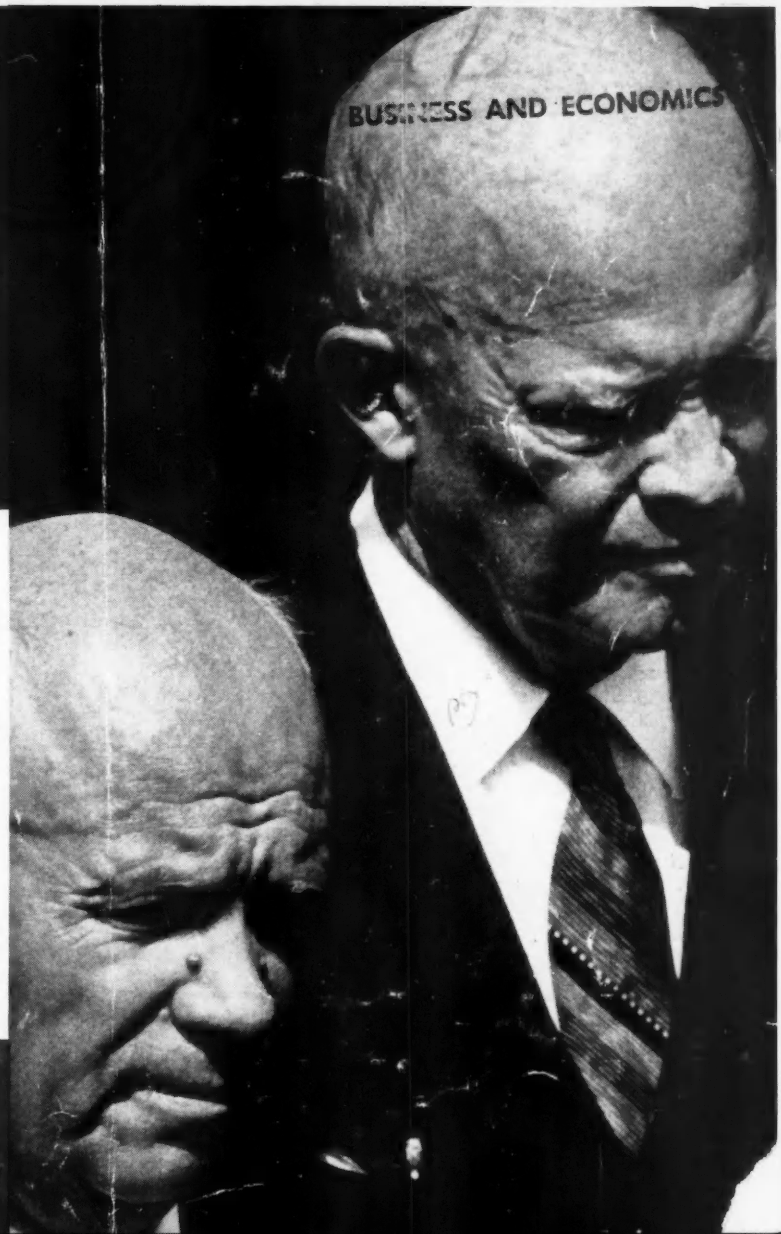
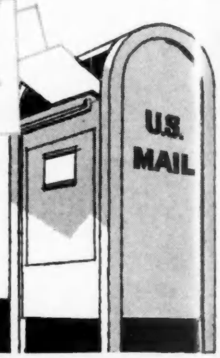


Allis-Chalmers annual report now being mailed to share owners



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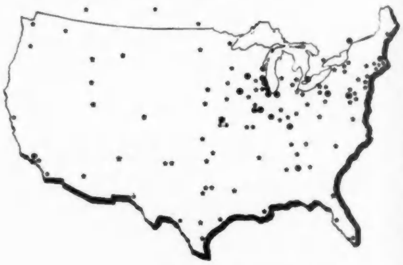
In terms of this pattern, the Allis-Chalmers Annual Report, now being mailed to 63,216 share owners, presents a broad outline of accomplishments of the Company in 1959.

HIGHLIGHTS	1959	1958
Sales and Other Income	$543,337,852	$535,165,825
All Taxes	35,395,615	33,189,603
Earnings	22,864,963	19,657,958
Earnings per Share of Common Stock	2.47	2.34
Dividends Paid per Share of Common Stock	1.25	1.25
Shares Outstanding		
Preferred stock	97,968	103,635
Common stock	9,089,535	8,216,016
Dividends Paid		
Preferred stock	418,359	422,831
Common stock	11,102,190	10,270,016
Share Owners' Investment in the Business		
Preferred stock	9,796,800	10,363,500
Common stock	187,947,298	162,088,166
Earnings retained	146,699,078	135,354,664
Total share owners' investment	344,443,176	307,806,330
Book Value per Share of Common Stock	36.82	36.20
Working Capital	290,967,948	263,557,034
Ratio of Current Assets to Current Liabilities	4.26 to 1	4.82 to 1
Number of Share Owners		
Preferred stock	802	802
Common stock	62,414	58,347
Employes		
Number of employes	36,130	32,364
Payrolls	196,137,782	172,093,408

ALLIS-CHALMERS serves our nation and the growing world through the many domestic plants and offices shown here — and through the world-wide facilities of Allis-Chalmers International.



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POWER **FOR A GROWING WORLD**

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and BUSINESS ANALYST

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C. G. Wyckoff, President and Treasurer; Arthur G. Gaines, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe to be accurate. Single copies on newstands in U. S. and Canada, 85 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

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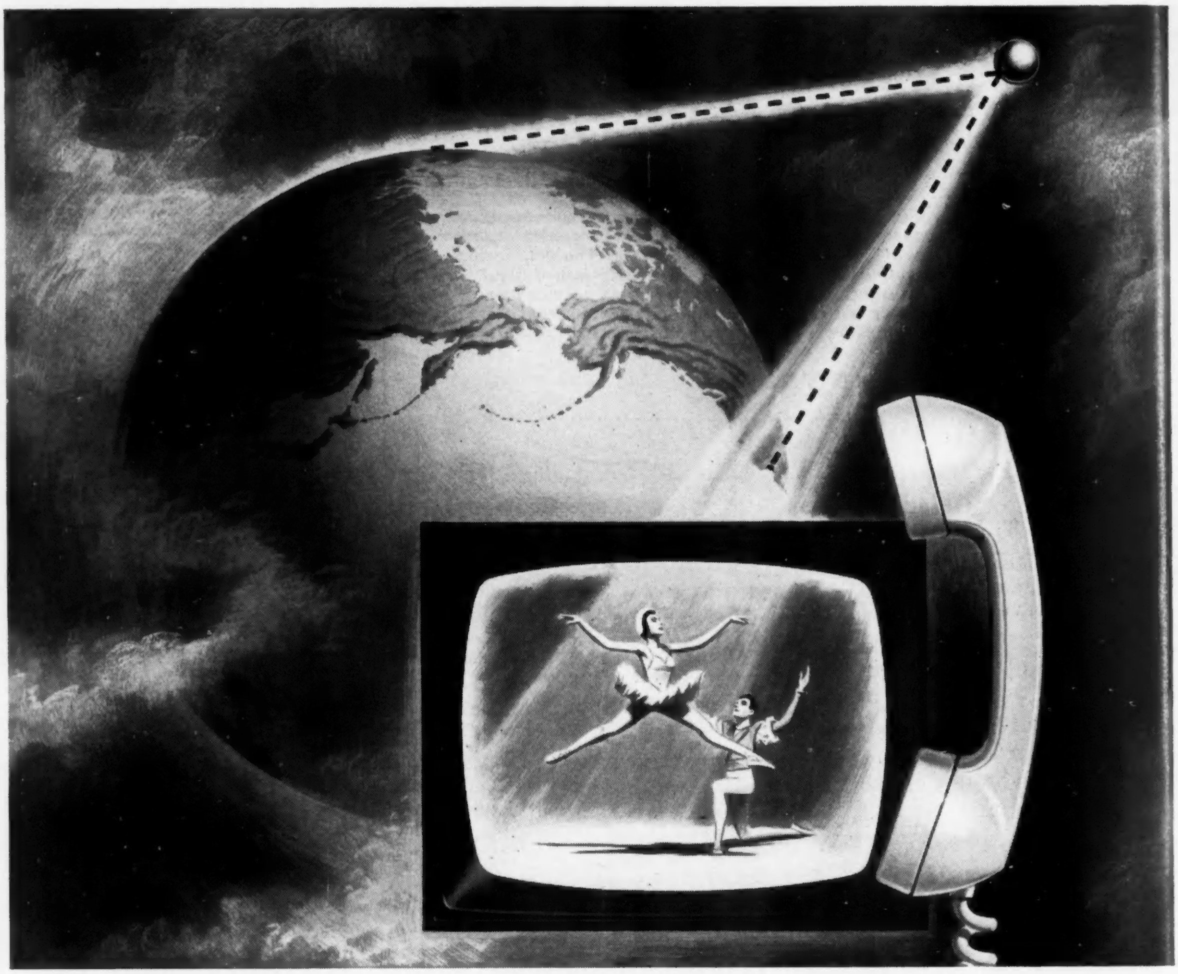
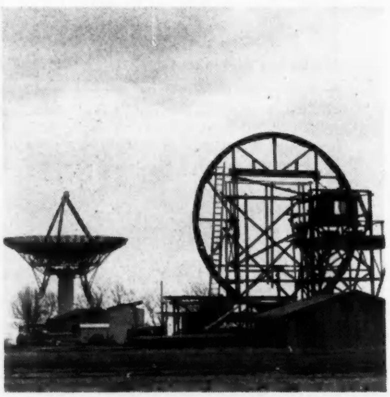


The high frequency radio waves that carry telephone and television signals travel in straight lines and refuse to follow the earth's curvature. To overcome this, it may well be practical and economical to send them over long distances by using earth satellites as relay points.

Telephone Calls and TV Shows by Way of Outer Space?



Under construction in foreground is a new antenna which Bell Telephone scientists hope will receive signals reflected from earth satellites during forthcoming tests. Background: a Project Echo transmitting antenna.

Maybe some day you'll get phone calls from Brisbane or Bombay—live TV from Caracas or Copenhagen—via satellites!

Over the years imaginative research has vastly improved your Bell Telephone service.

Now Bell scientists are looking ahead to an extraordinary possibility, until recently only dreamed of: the sending of telephone calls and TV across oceans via earth satellites.

To explore this idea, Bell Telephone Laboratories scientists are presently working hard on the communication phase of Project Echo. This experiment, sponsored by the National Aeronautics and Space Administration, seeks to reflect radio and voice signals across the U. S. by means of a 100-foot satellite.

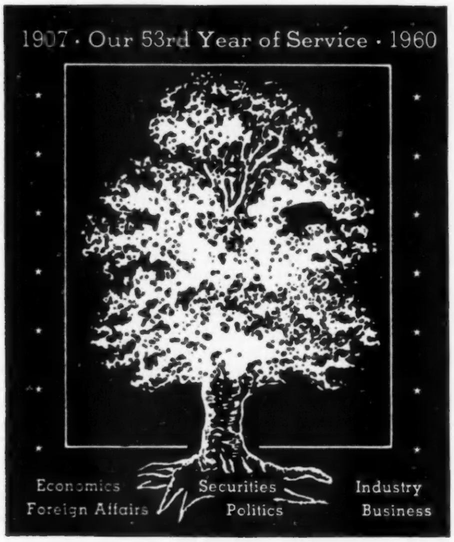
Recently these scientists relayed a human voice from New Jersey to California via one familiar satellite, the moon, and also sent a signal several hundred miles by means of an aluminized balloon.

Many features of the telephone service we take for granted today once sounded as improbable as this. But working always on the frontier of science is one of the ways we make that service more convenient, economical and enjoyable for you.

BELL TELEPHONE SYSTEM

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

TIME IS WITH THE WEST . . . That Communism has seen its peak, is again emphasized by the change in the reception to the doctrinaire ideas expounded to the leaders in Asia and Indonesia by Mr. Khrushchev, where he had gone to take the bloom off the great goodwill generated by President Eisenhower — and to rebuild the faltering prestige of the USSR.

That he did not succeed was clearly evidenced by his temperamental outbursts, revealing a frustration over his inability to cope with the situation, especially in Indonesia, where he was continually expounding the glories of Communism, in an effort to convince President Sukarno, who did not fall in with his views.

Of above average interest is the exchange between them, which went something like this:

Mr. Sukarno — "Indonesian socialism is not a severe socialism. It aims at a good life for all, with no exploitation."

Mr. Khrushchev—"No–no–no! Socialism should mean that every minute should be calculated — a life built on calculation."

Mr. Sukarno (throwing up his hands) — "That is the life of a robot!"

Nothing could be more revealing as to the state of affairs than this answer, because it shows a readiness to speak frankly to Mr. Khrushchev, which was a new experience for him, and emphasized the loss of stature for Communism as a result of Red China's militancy and dictatorial demands in dealing with other sovereign states — giving the lie to the long propagandized "brotherhood and peaceful coexistence" theory. Thus, despite Khrushchev's efforts, the discussions culminated in a refusal by President Sukarno to affirm a joint statement that both nations would like to see Communist China seated at the United Nations.

And of great significance is the fact that despite the loans made and the new ones offered, the Russians did not exert any pressure to force the Indonesians to sign, as surely would have been the

We call the attention of the reader to our Trend Forecaster, which appears as a regular feature of the Business Analyst. This department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss this regular feature.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: 1907 — *"Our 53rd Year of Service"* — 1960

case only a short time ago, in accordance with their unfailing custom in dealing with small states.

In the past, they were more successful in putting over Communism, which had appealed particularly to leaders with a lust for power, whose adherents were easily-manipulated young and inexperienced idealists in the population who dreamed of creating a Utopian new world and in their innocence could be led to believe that Communism was the answer.

But that day is past. President Eisenhower's trip through Asia and South America has done much to change this fallacious conception, and to show that the goal of Communism means enslavement rather than freedom, and that includes the heads of the various governments as well as the people.

The President's visit has also created greater understanding of the difference between the hands-off policy of the United States in relation to the internal affairs of a country, as compared with the meddling and subversion practiced by the Communists in the drive toward their goal of control and domination, which they mask behind protestations of friendship and aid.

Particularly on his visit to South America, President Eisenhower clarified the most striking differences in the two aid programs. He showed that the loans in aid that came from the United States were made with the genuine desire to help another nation. Whereas—Russian aid was designed to open the door for Communist infiltration and subversion, to further the ambitions of its leaders to rule the world.

He made clear that in the case of the United States, it is a people-to-people program—but that Russian citizens are forced to make drastic sacrifices merely to further the power-lust of their leaders.

In a word, our aid and loans come freely from the people of the United States, while Communist "aid" is forcibly extracted from a suffering people —barely able to stand on their own feet—and without any consideration for their welfare.

Beyond question, President Eisenhower's tour has taken us a long step forward toward the building of sound relations between the United States and South America through greater understanding. The acclaim of the people everywhere, as well as the comments in the press, bears this out. His success can be measured not only by the enthusiasm of those who approved it, but also by the vociferous attacks from Communist propagandists everywhere, and from Red China in particular, who made it a point to assail the Latin American trip with a heavy daily barrage of censure and disparagement, trying to make their readers believe that the President had been received with bitterness and resentment over acts of "unique imperialism." Unquestionably, Peiping is greatly disturbed over the turning of the tide against them, for which they themselves are to blame, and, as a cover-up, are resorting to the old Communist technique of the "big lie" for internal consumption.

And now, having laid the groundwork for solidarity in this hemisphere, we must follow it up by making sure that we have the kind of representation needed to further this goal, both among our diplomatic and corporate ambassadors. We have not always sent Latin America, individuals of the high caliber needed—men who would conduct themselves in a manner to win the respect and goodwill of the people in power.

This is the vital task to which we must apply ourselves if this hemisphere is to work as a unit, and produce the kind of prosperity and security that will prevent the Communists from working their will through infiltration and subversion.

HOW FARES THE AUTO INDUSTRY? . . . From all accounts, it now seems clear that the auto industry is going through a painful period of adjusting to new conditions. It is not surprising, therefore, that the over-enthusiastic predictions for 1960 have not been fulfilled thus far.

Only a little over a month after the New Year was ushered in, the major auto factories began to reduce their production schedules. This was accomplished primarily by cutting overtime work, but was followed by further cuts, made necessary when demand failed to be stimulated by discounts and other sales devices.

Thus far, the 1960 model year has confirmed the warnings of George Romney, President of American Motors, that the introduction of the new compact cars of the Big Three—Corvair, Falcon and Valiant —would spell trouble for the higher priced cars of these manufacturers. The compact cars have enjoyed a successful introduction. But this has apparently been accomplished at the expense of higher priced standard size cars.

The Big Three companies—General Motors, Ford and Chrysler—had hoped that the introduction of the new compact cars would stimulate increased interest in all kinds of cars. They believed that the new small car business could thus prove to be a "plus"—over and above what had been transacted in the past in standard size vehicles. This hope has now been virtually ended by the recent sales performance.

When the 1960 models were introduced last October, the customers flocked to dealer showrooms to look at the new compacts, and also to size up the normal-sized vehicles, with wheelbases of 117 inches and over. But the ones who stayed to buy apparently included a larger-than-expected ratio interested only in compact economy cars.

The Big Three companies are now trying to set their houses in order by offering a greater variety of new economy models, and the companies are introducing various sized compacts with larger wheelbases and smarter styling.

As the Big Three see it, the problem facing them is to have a variety of compact merchandise which can be sold by their dealers who hold franchises for medium-priced cars. Unless such new cars are offered, the sales volume of their medium-priced car factories and of medium-priced dealers will shrink— in some cases below the break-even point.

Retail deliveries of new cars in January were running at a rate well below the 500,000 car level. Allowing for a strong Spring upturn in sales, this would point to new car registrations in 1960 that would be somewhere *(Please turn to page 700)*

As I See It!

By Charles Benedict

OUR ANTI-TRUST LAWS ARE JUST AS OUT-MODED AS THE THEORIES OF KARL MARX

BOTH were products of the abuses of the industrial age then coming into being. That is not to say that there are no abuses today, but they are of a different kind. Yet neither laws nor social theories have been adjusted to meet the challenge of the new conditions.

The Anti-Trust laws first saw the light in an age of rugged individualism, in which rapacious men were greedily seeking to control everything and everybody — an age in which the worst of human nature in the raw came to the fore under the rigors of opening up and developing a new land.

The relation between business and the public has changed considerably since that period of lawlessness in our history, for today there is no reality in the exploitation charges of earlier times, for Big Business depends on a mass market of high consumer buying power for the sale of its products.

Nor should we lose sight of the efficiencies of mass production, made possible by the enormous research and development work, that redound to the advantage of the consumer, and are responsible for bringing many articles within the buying power of the average man, enabling our people to enjoy a much higher standard of living.

And what if a new world war should erupt? Where would we be if we did not have available to us the enormous facilities and know-how of the great corporations? It could mean the difference between freedom and slavery.

Today the Anti-Trust laws that seek to break up the great entities are out of step with the times. It is no longer a matter of wresting control from a few individuals, but working hardships and loss to millions of investors whose savings helped to build our great industrial structure, and who are the real owners today.

with apologies to N. Y. Herald Tribune

"We want to keep it that way"

And we must face the fact, too, that great entities are a phenomenon of the times and are needed to meet the new conditions. For it takes bigness in finances and operations to compete in world markets with industries that are controlled and government subsidized, in many lands. In fact, our entire economy — industry — business — labor — our government — are geared to bigness.

These facts all need to be considered in revising the Anti-Trust laws — so that actions will not be brought to enforce the letter of the law, as is now the case, but to consider violations on a common-sense basis in accordance with our economic needs and to fight the new dangers that are present on the modern industrial scene.

As an example — the merger between Texaco and Superior Oil was a natural, one company being a great producer and the other mainly a marketer. There was no common-sense reason for applying Anti-Trust action to this consolidation, which was plainly made in the interests of efficiency, with no remote possibility of monopolizing the oil industry.

On the other hand, in the case of Bethlehem and Youngstown, there was a stronger basis for Anti-Trust action, since the merger would have meant combining two functioning steel corporations, which might be interpreted as containing the seeds of monopolistic power.

Especially at this time should we carefully weigh the legal steps we take in dealing with our corporations. And, for that reason, we are planning a special story that will go into this matter of Anti-Trust laws in a way that will clarify the entire situation for our readers, who are stockholders in a number of companies now under pressure, in the hope that we can all work together in revising the law to meet today's conditions.

Resumption Of Orderly Decline

Internal market weakness rather than penetration of support line in rail averages responsible for extreme market weakness. Sentiment veering toward evidence of a slackening in industrial activity accompanied by price concessions in some areas, contributing to doubts over earnings trend for the remainder of the year. This precipitated selling, especially in stocks still showing highly inflated earnings multiples. Orderly decline likely to be interspersed with sharp rallies, awaiting a reappraisal of the business outlook into the second quarter.

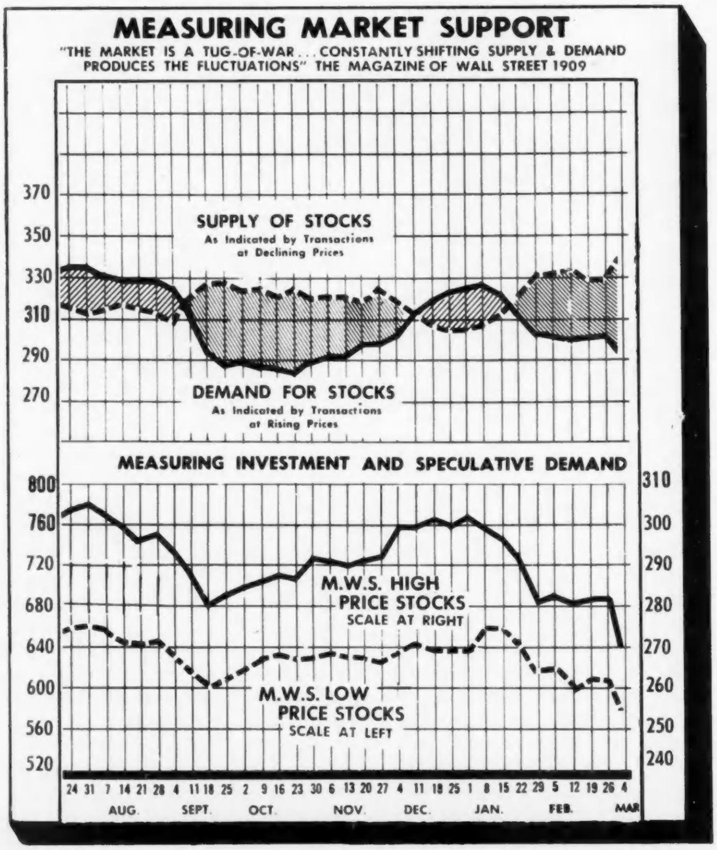
By A. T. MILLER

RENEWAL of liquidation after the late February technical rebound had faltered, came as no surprise. Recovery from a temporarily "oversold" position had been too feeble to suggest anything more than a mild rally.

Hence, with outside influences affording no encouragement for adopting a constructive policy, it was natural for the market to resume the orderly decline that preceded the mild "selling climax" of mid-February.

And, when weakness developed in the rails, sending the index below its November support point, those who had been awaiting this signal for a final confirmation of the downtrend, started selling — this, although we have actually been in a downtrend for many months — a new kind of downtrend to be sure — because the elements that made the market in the '20's are not present today. The great speculative 10% margin days have gone with the wind — the number of companies listed have increased enormously, making it difficult to influence the market as a whole — and the support from institutional buyers helps to maintain stability.

In a word, we are operating in an entirely new atmosphere under current conditions, which, unless some disastrous situation arises, insures an orderly market decline.



In today's market, fundamental economic forces are more likely to be a trend determinant than the technical signals of the rail averages. This industry has been backward for a long time and is no longer a dominant factor in the market.

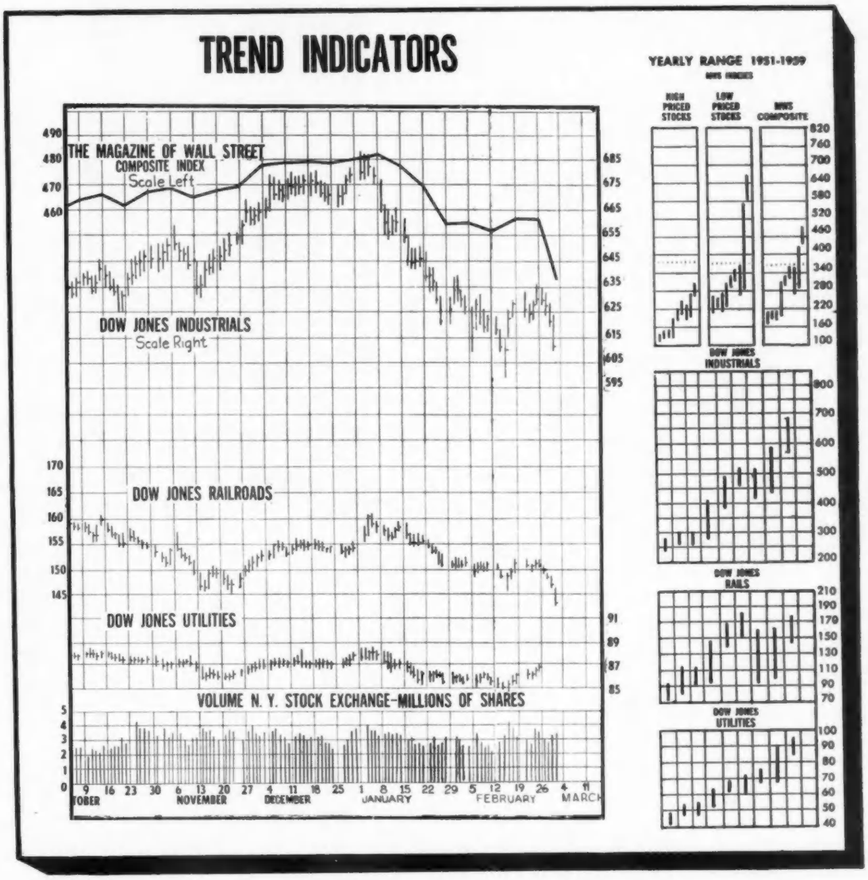
The basis for adherence to *a cautious policy* is to be found in the evidence of declining business activity, to indications that inflationary economic forces have lost momentum—and to uneasiness over foreign financial problems. In this picture, *sustaining influences* include the fact that industrial production still is around its record high, personal income is being maintained at a peak rate, with employment relatively full, and that thus far there has been little necessitous liquidation.

A Look At Prevailing Influences

Although unusually severe weather conditions have retarded industrial activity to some extent, it is evident that business has slowed in recent weeks because of accumulation of excessive inventories of finished goods late last year as well as in January. Retail auto sales dipped last month even in areas where storms could not have been blamed. As a result, virtually all ma-

jor producers have trimmed production schedules. The steel industry was among the first to feel effects of the cutback in auto assembly plants, and operations now have declined to the lowest rate since late December.

Although it is true that activity still is high in comparison with earlier years, investors and portfolio managers are more concerned with the *trend* than with actual dollar or unit totals. So long as output is declining, there is cause for apprehension. Evidence of overabundance of supplies in a keenly competitive economy raises the threat of an attack on profit margins. Copper prices participated in the downtrend, for example, as consumers withheld forward orders, once producers' labor problems were settled. Elsewhere, attention was directed to sharp curtailment in petroleum refinery operations to permit reduction of excessive inventories that threatened the price structure in refined products.



Higher Earnings vs. Narrowing Profit Margins

A factor of special interest that has shown up again and again in our analysis of 1959 financial reports has been the element of cash flow, resulting from the allowable reserves for depreciation and amortization, which answers the question that has been puzzling security buyers, who have been wondering why stock prices have not fallen further in some instances, and held their own, and even risen in others.

For that reason, the estimates for first quarter earnings must be subject to careful appraisal, for already various sources are intimating that corporate profits in the March quarter may stand as the maximum for any three months' period of 1960, and tends to explain the lack of enthusiasm for many equities that have been selling at very high multiples of earning power.

Inflationary-Deflationary Outlook

Mounting evidence of a slowdown in inflationary trends, as noted earlier,must be reckoned with as a factor likely to check market advances. The consumer price index eased slightly for the second month in a row in January and appears to be leveling off, and the head of the Bureau of Labor Statistics has predicted a period of stability for several months. Realization of stabilization in commodity prices would be favorable in the long run, but for the near term it poses a threat to overvalued equities held primarily for long term appreciation.

Moreover, funds that would have sought refuge in high grade stocks have recently been channeled into bonds of seasoned industrials, but great caution is advisable as money rates may remain high. Prospect of a modest surplus for the Treasury at the end of the June 30 fiscal year has helped restore confidence in government obligations recently.

Shift In Inflationary Trends Abroad

A factor of important consideration at this time in the imposition of restraining influences on inflationary trends that has been felt not only in this country, but in Great Britain as well. *Decision of the Bank of England to withdraw support buying of government issues in a move to deter sales on the part of institutions to provide funds for financing business ventures came as a shock to the London market.* Since the effect is likely to spur further advances in interest rates abroad, one consequence could be resumption of gold exports from this country to European central banks unless we maintain a high level of money rates.

Continuance of high interest rates is essential in this country, to avert withdrawal of foreign credit balances, which have reached unusually high proportions in recent years. But our rising exports and a decline in imports, such as witnessed in January, may in time have a salutary effect on strengthening our international trade *(Please turn to page 700)*

THERAPEUTIC EFFECT of a CORRECTIVE RECESSION on our ECONOMY

By ROBERT B. SHAW

- ► Our economy—the part played by gadgets
- ► Hypodermics that have been palliatives merely—but have not cured . . . Ideas that have gone to the well too often
- ► The antidote that will insure progress

"ECONOMIC GROWTH" has become one of the most familiar watchwords of this modern era. As we are being constantly reminded, it is essential for our economy to grow for a multiplicity of reasons: to raise our standard of living—to match the upsurge in the population—to compete with the Russians directly in the armaments race, and finally to set a favorable example in the eyes of neutral countries.

Even politics plays its role in the current emphasis upon growth, for while such an automatic process would seem to be devoid of the emotional interest attached to most partisan questions, some politicians have been forced to fall back upon criticisms of the prevailing rate of expansion in their search for issues. Any person who questions the necessity for rapid economic growth would be about as popular as if he were to attack motherhood.

Is Our Economic Growth Firmly Based?

Still, it should be possible, without being deemed treasonable, to raise some questions as to whether our recent growth has been firmly based.

► Is it being encouraged artificially at the expense of future production and sales?

► Does it rely partially on methods which threaten the basic equilibrium of our economy? Some evidence at least suggests that the answer

to these questions is *"yes."* In any case a critical attitude toward current trends of industrial activity should be healthier than a bland assumption that these trends must continue indefinitely.

Our Recent Growth

Signs of rapid economic growth are visible all around us, in the industrial scene in the form of new factories springing up on the outskirts of every large city, and again in the home, in the form of new appliances and conveniences rapidly being accepted as necessities. More objectively our industrial growth can best be measured in terms of the Gross National Product. This index is expected to hit $510 billions in the current year, a near doubling within a single short decade, or five times the modest $100 billion GNP for as recent a year as 1940.

Dollar Value—*But this raw figure, used without adjustment, does give a misleading picture of our growth.* The dollar has declined almost steadily in value throughout this period, until it is today worth no more than 47¢ in terms of 1940 purchasing power. If expressed on this basis last year's impressive GNP of $480 billions would have been sliced to $230 billions, a more modest 128% gain above 1940, while 1960's expected result will equal $239 billions in 1940 dollars.

Population—Again, allowance must be made for the rapid population growth of these past twenty years. ● In 1940 the GNP of a trifle over $100 billions worked out at $763 per capita in the 132 million population. ● Ten years later the GNP of $155 billions (in 1940 dollars) had lifted the share of each member of our 151 million population to $1022. ● In 1955 this had increased further to $1168, and 1960's estimated product will represent a $1328 share, still in fixed 1940 dollars, for each of our 180 million citizens.

Thus, GNP per capita and on a constant value basis has climbed just about 75% since 1940. Even after these adjustments this is a rate of growth within less than a generation that makes us the envy of nearly every other country in the world.

Effect of War Upon Growth

It is obvious that modern warfare acts as a powerful stimulant to the growth of industrial capacity. This is evidenced graphically in the accompanying table.

► In the depression decade 1930-40—continuing to speak in terms of 1940 dollars—GNP rose only narrowly from $80.5 billions to $100.6 billions.

► But then in only four years of World War II GNP leaped by over 50% to $155 billions in 1944.

► Following the end of the war, with the removal of the pressure for ever greater production and the disappearance of overtime, a declining tendency set in and it was not until 1950 that the wartime peak was regained.

► Then during the Korean War, even though the proportion of national product diverted to federal government expenditures failed to reach half the World War II level, GNP climbed a further 17% to $180 billions in only three years.

After the Korean armistice, in 1953, it would have been normal for GNP to have dropped again—and it did, by a mere 1½%, in 1954. But since then it has resumed a rapid and almost uninterrupted climb. Even in the recession year of 1958 this index fell less than 2%. The extent to which this continued growth almost at a wartime rate reflects the competition with Russia, or mere artificial stimulation for political purposes is debatable, but it could be symptomatic of fever rather than healthy development.

During World War II personal consumption expenditures, which had approximated 80% of GNP during the depression 30's, were squeezed down almost to 50%. Private investment was also reduced to a minor proportion, but within this component the output of producers' durable equipment held pretty nearly steady. And many industrial plants

The Gross National Product

Actual—And In Constant Dollars

Year	Reported GNP	GNP (in 1940 dollars)	Population (in millions)	GNP per Capita (in 1940 dollars)
1940	100.6	100.6	132	$763
1941	125.8	116.1		
1942	159.1	130.2*		
1943	192.5	145.2		
1944	211.4	155.4		
1945	213.6	154.0	139	$1110
1946	210.7	138.0		
1947	234.3	137.9		
1948	259.4	142.6		
1949	258.1	143.8		
1950	284.6	154.8	151	$1022
1951	329.0	165.9		
1952	347.0	173.2		
1953	365.4	180.5		
1954	363.1	178.0		
1955	397.5	192.8	165	$1168
1956	419.2	196.3		
1957	442.5	199.3		
1958	441.7	195.4		
1959	479.5	229.8		
Est. 1960	510.0	242.0	180	$1328

Components of Gross National Product

Year	Personal Consumption	Gross Private Investment	Govt. Purchases*
1940	70.4	14.1	15.1
1941	64.8	15.4	20.1
1942	56.5	7.1	37.5
1943	52.2	3.6	46.4
1944	50.5	3.9	48.1
1945	54.7	5.4	41.8
1946	68.1	15.0	15.5
1947	69.3	14.7	13.7
1948	68.2	17.0	14.3
1949	69.9	13.2	16.1
1950	68.2	17.5	14.2
1951	64.1	16.9	18.6
1952	63.6	14.2	21.9
1953	63.6	13.7	22.8
1954	65.6	13.4	20.7
1955	65.2	15.9	18.6
1956	66.1	15.4	18.1
1957	66.4	14.3	18.4
1958	68.4	11.8	19.7
1959	64.7	15.0	20.5

* Local and national.

Note: Net exports, normally an insignificant figure, have been omitted from this table. As a result, the categories listed do not add exactly to 100%.

were also built as government projects. It is true that some of these became white elephants after the war, and were sold at distress prices. The losses, however, were suffered by the taxpayers, and in many cases spelled opportunity for fortunate corporations, which acquired valuable capacity at small fractions of actual cost. Many companies were also given important assistance in the form of research, patents or other governmental favors. To cite one example only, the old aluminum monopoly was broken and several competing organizations set in business as part of the war effort. At the end of the war it is obvious that substantial overcapacity for civilian needs was in existence.

In the decade since the latter 40's, however, it would appear superficially that such overcapacity has vanished. We have experienced the biggest buying binge in our history. Entirely new industries have lifted the whole scale of consumption. The frenzied pace at which new factories are still being built would suggest by itself that productive capacity is lacking rather than in excess.

Nevertheless, statistics do require interpretation, and various factors suggest that demand has been artificially sustained for several years. These deserve brief examination.

Consequences of Government Spending Hypos

Since the end of the current war, one step after another was taken to prevent any slow-down in our economy. Rather than endure the unpleasant but beneficial effects of an occasional mild recession, it has become our habit to resort to the narcotic of deficit spending whenever such a corrective movement impends. The argument that adequate defensive measures are far more important in the contemporary world than mere budget balancing is superficially convincing, but the plain fact is that a large and increasing proportion of our expenditures are being diverted into welfare functions.

The result was that during a decade and a half, representing one of the most prosperous periods in our history, we added $35 billions to the approximately $250 billions of government debt.

The old debate whether the government can spend our money more efficiently than individuals could do for themselves is a moot question among egg heads. Notwithstanding the apologetics of liberal economists (e.g., "We owe it to ourselves.") this uncontrolled federal debt is dangerous. *If it can not be gradually reduced it will some day be extinguished by some form of repudiation. The evil consequences of such an act are unpleasant to contemplate.*

The Consequences of the Easy Credit Hypo

Somewhat less dangerous than the federal deficit, but also almost as destructive, is the continuing use of unrealistic and dangerous type of "buy now—pay later" inducements which lead many who are not good credit risks to incur debt.

Short and intermediate-term consumer credit is currently at the record level of $52 billions. What is more significant is that this figure also represents a new peak—13.7%—as a proportion of annual personal income. This figure may not sound so high as a lien against next year's income, but in appraising it we should *remember that residential mortgage debt (exclusive of farm mortgages), at an estimated $118 billions, is more than double the consumer debt!*

The suggestion that personal indebtedness may be approaching the danger point should not be interpreted as any attack upon the institution of consumer credit. It is clear that only the ready availability of such credit has allowed volume purchasing of "big ticket" items and thus established the mass market which we all enjoy. And no one can say at exactly what proportion of personal income debt becomes oppressive. But there are many indications that credit is now being extended irresponsibly. For example, can such an intangible expenditure as a vacation trip to Europe for only $26 down be regarded as sound collateral for a substantial loan? And even if such poorly secured loans do not lead to widespread defaults, won't they be borrowing excessively from next year's purchasing power? This is no unsupported theory; the automobile manufacturers have already found, to their regret, that 1955's banner performance drained away normal sales for years into the future.

Quality Deterioration To Speed Replacement Sales

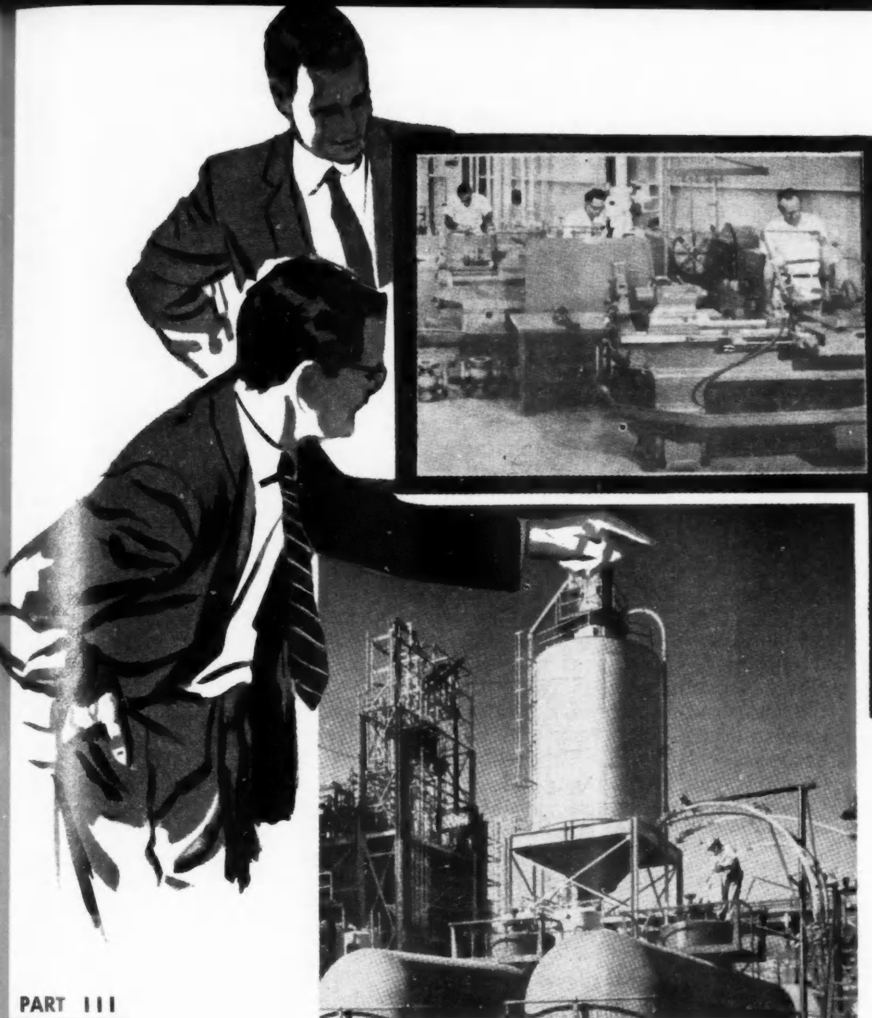
It is also probable that some overcapacity has been masked behind a gradual deterioration in the quality of many articles. Manufacturers have, of course, been obliged to exercise ingenuity in overcoming higher costs in the face of intensive domestic and foreign competition, and on the whole they have done an excellent job. But still, all too frequently, resort has often been made to shoddy or inferior goods, to the substitution of unsatisfactory materials and components.

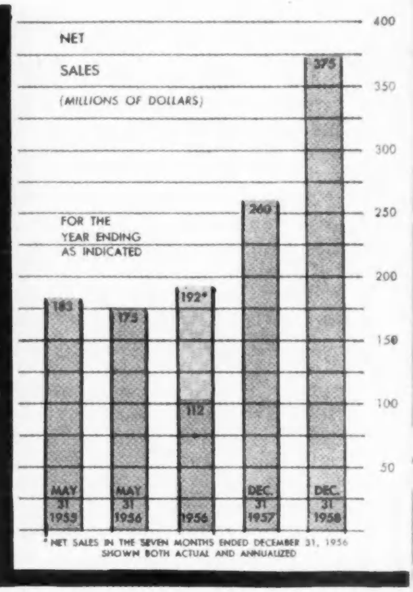
For example, the excessive use of plastics as a substitute for metal, wood or glass, where they simply cannot do the job required inevitably calls for constant replacement. *(Please turn to page 697)*

Consumer Credit Outstanding

(Short and Intermediate Term)

End of Year	Consumer Credit Outstanding (Billions of $)	Personal Income (Billions of $)	Ratio of Credit Outstanding to Income %
1940	$8.3	$78.7	10.5
1941	9.2	96.3	9.6
1942	5.8	123.5	4.7
1943	4.9	151.4	3.2
1944	5.1	165.7	3.1
1945	5.7	171.2	3.3
1946	8.4	179.3	4.7
1947	11.6	191.6	6.1
1948	14.4	210.4	6.9
1949	17.3	208.3	8.3
1950	21.4	228.5	9.4
1951	22.6	256.7	8.8
1952	27.4	273.1	10.1
1953	31.2	288.3	10.8
1954	32.3	289.8	11.2
1955	38.7	310.2	12.5
1956	42.1	332.9	12.7
1957	44.8	350.6	12.8
1958	45.1	359.0	12.6
1959	52.0	380.0	13.7





PART III

WHAT 1959 ANNUAL EARNINGS REPORTS REVEAL

Looking to 1960

by PAUL J. MAYNARD

— Emphasizing the importance of "cash flow" for dividend security
— For financing capital improvements and modernization

NOW that the vast majority of corporate annual reports have been released, it is possible to confirm the tentative conclusions reached in the analysis of the initial reports that appeared on these pages several weeks ago. In brief, American industry had a good year despite being knocked off its stride for a time by the steel strike, the copper strike and other labor difficulties during the year.

For thoughtful investors, however, who are more concerned with the patterns of the future than with past performance, there are disturbing factors discernible in the published reports that will bear close watching as the earnings pattern of 1960 unfolds.

Foremost among these is the trend of profit margins — that all-important measure of the amount of money corporations are actually earning out of each sales dollar. It is true that in general profit margins in 1959 exceeded those of a year ago. But the first two quarters of 1958 were recessionary periods when margins would be expected to be deflated. Thus, the significant thing is the really small improvement in profit margins for many companies despite the fact that comparisons are being made with a depressed period. Moreover, there there are a surprisingly large number of important companies that either failed to top their profit margins of a year ago, or scored such small gains that they can be dismissed as a meaningless improvement.

Of the companies included in the accompanying table, **Chas. Pfizer** and **Abbott Laboratories,** both leading ethical drug producers reported declining profit margins despite higher sales and relatively unchanged net income. **Merck,** another important drug manufacturer managed a small increase in margins from 13.4 percent to 13.8 per cent, but the improvement is minor.

In effect, the race in the drug industry is going more and more to the swift — those who can keep a steady stream of new drugs flowing from their research laboratories. For the others with exceptions, profit margins are on the way down.

Similarly, in the oil industry, profit margins are still on the downgrade. The evidence does not show up as readily in the statements of the large integrated companies, since lower exploration expenditures will tend to bolster profit margins. But among the lesser companies the pattern is clear. Both **Sunray-Midcontinental** and **Pure Oil** saw their margins decline, and even **Standard Oil of Ohio** — a particularly efficient marketer — was barely able to improve on its 1958 performance.

The drugs and oil however, may have unique problems. But many industrial companies that should have benefited from the high level of business activity last year also had profit margin troubles. **Goodrich,** for example, despite a good increase in sales, and earnings of $4.18 against $3.95 a year earlier, nevertheless slipped in the profit margin column from 5.0 to 4.8 percent. Others managed only a slight improvement.

Worthington Corp. a major producer of pumps and air-conditioning equipment, after several years of capital improvements, still was only able to better its margins from 4.2 to 4.5 percent. **General Telephone & Electronics,** which took over Sylvania to broaden its interests and improve profit margins managed to squeeze out a bare one percentage point improvement ,from 6.6 to 6.7 percent. And **Columbia Broadcasting,** in a year of record bookings has only succeeded in raising margins from 5.7 to 5.9 percent.

But the point need not be belabored, nor emphasized by cases where special situations exist, such as the abnormal showing of **United Fruit,** whose margins dropped to 3.8 percent from 7.0 percent in 1958. Such figures do not always tell the full story. In fact, in many cases where a trend toward lower earnings is shown despite higher sales and enormous expenditures on capital improvements and labor saving devices, a more realistic picture can only emerge if we evaluate the amount by which gross income is reduced by charge-offs for depreciation and amortization. Then, if the figures of net income are considered along with the increase in cash reserves, quite a different picture can emerge, as a glance at the cash flow record of the various companies herewith clearly shows.

The Significance of Cash Flow

Today, depreciation charge-offs available to corporations have not only helped to reduce the tax load, but also to provide a source of valuable dollars for reinvestment in new plants, equipment and modernization. The magnitude of depreciation reserves as the largest single source of corporate funds can easily be seen from the following figures.

Since 1953, retained profits — the money corporations have been able to hold on to after paying taxes and dividends—have varied widely from $7.9 billion in 1953 to $10.9 billion in 1955 to $6.0 billion in 1958. Depreciation however — money retained for use in the business and not reported as profits, hence not subject to taxes, has climbed enormously and steadily from $11.8 billion in 1953 to $19.6 billion in 1958 and a rate of $20.4 billion in the first half of 1959.

This enormous total is almost double all of the stock and bond financing done by corporations in 1959, and accounts for almost 65% of all capital spending in the country in 1959.

For individual companies the effects of enormous cash earnings are many, but the most important point is that the money can be used for any purpose at the discretion of directors. Thus a company, even if it reports small earnings, may be able to continue its dividend payments far beyond normal expectancy, if at the same time its capital spending needs have been reduced.

Take **Chrysler,** as an example. The combination of its own strike troubles in the early months of the year and the steel strike later caused an operating deficit for the year of 62¢ per share. *Yet Chrysler ended the year $136 million richer than it began because of the enormity of its depreciation charges.*

This $136 million is not called profits, but it is money. Money that can be used to build new plants or to pay dividends to stockholders. Since the year ahead will not be a major new model year, cutting down Chyrsler's capital spending needs, stockholders may be able to breathe easier.

The value of a large cash flow, however, is not confined to companies currently showing lower earnings.

General Electric reported earnings of $3.19 per share in 1959, certainly adequate coverage for the $2.00 annual dividend. *Yet if we include the unreported earnings, total cash available for use in the business climbs to $4.55 per share.* That's $120 million that GE can spend on promotion, new plants, equipment or whatever before resorting to borrowing or equity financing. If all GE had to deal with was actual earnings, the $280 million reported profits would be reduced to $105 million after the payment of dividends. Instead, retained earnings are $225 million.

Of course depreciation has always been a part of corporate life. But only in recent years, with the advent of rapid amortization and the heavy impact of the 52% corporate tax rate has it begun to reach significant proportions. It may be remaking our economy.

Corporations, in fact, have so much cash that their activities in the short term government bond market — the prime place for investing the cash — has effectively reduced the Federal Reserve Board's control over the money market. The Fed can influence bank holdings of treasury bills and notes, but it can do nothing about the holdings of nonfinancial corporations.

Cash flow will be shown regularly now. In the accompanying table we have included the cash earnings for 1958 of all the companies. Unfortunately complete figures are not available for 1959. But as each industry is covered in subsequent issues

Comparative Sales, Earnings & Net Profit Margins of Leading Companies

	Net Sales (Millions)		Net Profit Margin		Net Per Share		Cash Earnings Per Share		Net Per Share Per Quarter 1959			
	1958	1959	1958	1959	1958	1959	1958	1959	1st	2nd	3rd	4th
Abbott Labs.	$116.6	$122.6	11.0%	10.5%	$3.32	$3.32	$4.09	$*	$1.07	$ .36	$1.28	$ .62
Allis-Chalmers	531.9	539.6	3.7	4.2	2.34	2.47	3.51	*	d .43	.99	1.12	.78
Amer. Chicle	64.3	68.7	13.1	13.3	2.95	3.21	3.22	*	.77	.84	.83	.78
Amer. Mach. & Fdry.	231.0	283.0	4.7	6.7	1.66	2.50	7.64	*	.70	.45	.52	.83
Anaconda	523.1	*	6.4	*	3.16	5.53	7.15	*	1.52	1.72	1.16	1.13
Bigelow-Sanford	63.2	71.9	d2.7	2.6	d1.91	1.73	.63	*	.23	.71	.23	.56
Borden Co.	915.0	941.3	2.6	2.7	5.06	5.21	8.23	*	.93	1.53	1.44	1.34
Bridgeport Brass	135.6	173.0	3.4	4.1	2.80	4.40	5.08	*	1.36	1.08	.92	1.05
Brunswick-Balke	187.8	275.1	7.3	9.7	2.13	3.42	2.44	*	.19	.60	1.72	.90
Burroughs Corp.	359.7	294.0	2.1	1.9	1.02	1.07	2.58	*	.23	.26	.32	.27
Chrysler Corp.	2,165.3	2,642.9	d1.5	d .2	d3.88	d .62	13.20	16.87	1.75	4.90	d3.92	d3.35
Clark Equipment	142.6	208.1	4.5	5.9	2.70	5.21	3.97	*	1.01	1.81	1.51	.85
Colgate Palmolive	534.0	581.9	3.9	4.3	2.76	3.11	3.94	*	.61	.75	.86	.89
Columbia Broadcast	444.3[1]	411.8[2]	5.7	5.9	3.01	3.11	3.97	*	.87[3]	.77[3]	.51[3]	.96[3]
Columbian Carbon	65.6	76.1	6.0	8.0	2.46	3.77	7.75	*	1.21	.95	1.08	.53
Commercial Solvents	64.7	70.3	2.2	4.0	.51	1.02	1.08	*	.24	.26	.33	.19
Consolid. Coal	282.2	*	6.5	*	2.00	2.23	3.65	*	.57	.55	.20	.91
Continental Baking	328.0	385.9	2.7	2.4	4.37	4.60	7.26	7.90	.96[3]	1.52[3]	1.02[3]	1.10[3]
Continental Oil	596.5	*	7.9	*	2.40	2.85	4.41	*	.73	.68	.77	.70
Curtiss-Wright	388.8	329.1	6.4	4.3	3.11	1.71	4.23	*	.40	.32	.36	.63
Du Pont	1,858.9	*	18.2	*	7.25	8.92	10.30	*	2.17	2.44	2.29	2.02
Eastman Kodak	828.8	914.1	11.9	13.6	2.56	3.23	3.62	*	.59[4]	.78[4]	.90[4]	1.02[5]
Electric Auto-Lite	168.9	*	1.5	*	1.68	4.50	6.76	*	1.25	2.04	.31	.91
General Electric	4,120.7	4,349.5	5.8	6.4	2.78	3.19	4.19	4.55	.60	.74	.82	1.03
General Precision Eq.	168.3	215.5	.1	1.9	d .74	2.63	4.30	*	.57	.77	.57	.72
Gen. Tel. & Electr.	895.1	1,081.0	6.6	6.7	3.07	3.40	—	*	.77	.85	.85	.93
Goodrich (B. F.	697.3	771.5	5.0	4.8	3.95	4.18	6.32	6.59	1.15	1.03	1.02	.98
Lorillard (P.)	479.1	490.8	5.6	5.7	4.01	4.20	4.43	*	.91	1.11	1.16	1.01
Mack Trucks	253.7	297.3	3.0	5.3	3.03	5.71	4.59	*	1.37	1.67	1.60	1.08
McGraw Edison	241.6	284.6	4.2	5.2	1.84	2.69	2.91	*	.47	.69	.86	.67
Merck & Co.	206.6	216.9	13.4	13.8	2.64	2.79	3.38	*	.73	.75	.75	.56
Pfizer (Chas.)	222.7	253.6	10.7	9.7	1.47	1.51	1.85	*	.39	.31	.36	.46
Pure Oil	585.1	621.4	4.9	4.6	3.35	3.32	6.83	*	.65	.87	.70	1.11
Reynolds (R. J.) Tobacco	1,146.5	1,286.8	6.8	7.2	3.80	4.45	4.23	*	.97	1.13	1.20	1.15
Robertshaw Fulton	68.7	79.5	5.8	7.2	2.40	3.35	3.70	*	.86	.90	.74	.76
Sinclair Oil	1,190.3	*	4.1	*	3.23	3.00	9.06	*	1.12	.64	.52	.72
S. O. of Ohio	358.0	368.0	6.6	6.7	4.82	5.02	9.92	*	1.72	.94	.93	1.43
Sunray Mid-Continent Oil	372.2	450.9	10.8	9.7	2.14	2.25	3.99	*	.56	.49	.52	.68
Texas Gulf Sulphur	57.0	63.6	23.4	20.9	1.34	1.33	1.67	*	.32	.37	.27	.36
Thompson Ramo W.	340.6	417.7	2.6	2.3	2.86	3.02	6.82	*	.71	.80	.51	.99
United Carbon	56.4	62.1	9.9	10.6	4.54	5.21	11.52	*	1.53	1.31	1.17	1.20
United Fruit	324.3	312.9	7.0	3.8	2.60	1.39	5.29	*	.46	.69	.22	.02
Upjohn Co.	146.1	156.9	13.7	14.8	1.43	1.65	1.61	*	.36	.34	.61	.34
Western Union Tel.	255.1	276.1	2.7	5.9	1.89	2.59	4.58	*	.56	.67	.55	.83
White Motor	269.4	333.1	2.6	4.2	3.48	6.94	4.79	*	1.34	1.99	1.58	2.04
Worthington Corp.	184.2	180.3	4.2	4.5	4.76	4.81	6.77	*	1.01	1.09	.40	2.31

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*—Not available at time of going to press.
1—52 weeks.
2—53 weeks.
3—13 weeks.
4—12 weeks.
5—16 weeks.

of *The Magazine of Wall Street,* the cash earnings will be included.

Some Top Flight Reports

Although total corporate results were good in 1959 there are some that are particularly noteworthy because they represent sharp improvements, and may indicate a permanent change in the company's status.

Western Union, for example, after many years of mediocre earnings is finally reaping the benefits of its concentrated efforts to modernize and throw off the shackles that bound it in the past. Though telegraphic service still accounts for the major part of revenues, modern methods have replaced the "boy-on-a-bicycle" inefficiency that held earnings down for years. In addition Western Union has become a leader in closed-circuit communications networks and is doing important work in the new realm of electronics. The first tangible evidence that the new approach is paying off is the rise in net last year to $2.59 per share from $1.89 in 1958. More significant, however, is the sharp jump in profit margins from 2.7 percent to 5.9 percent. Indications point to even further improvement in 1960 especially since the unprofitable transatlantic cable operation has now been sold.

Eastman Kodak, always a highly rated company, also demonstrates again why it is an investment favorite. Despite a relatively poor fourth quarter, earnings advanced to $3.23 per share from $2.56 a year earlier. Profit margins widened again to over 13.5 percent from only 11.9 percent, indicating that Kodak still has the money making habit despite the inroads into the field of newer companies.

Robertshaw-Fulton Controls, second only to Minneapolis-Honeywell in the regulator field, gives evidence that it too is about to climb to a new earnings level. For the past several years the company has been busily building new plants and rebuilding old ones. In 1959 the results began to show. Profit margins widened to 7.2 percent of sales from 5.8 percent the year before, and net income climbed almost 40 percent to $3.35 per share from $2.40 in 1958.

Brunswick-Balke, another old-line company with a new lease on life because of its highly successful bowling machine operation, justified its promise with a big jump in earnings. Profit margins rose to almost 10 percent of sales and earnings per share equalled $3.42 compared with only $2.13 a year earlier.

Leaders Stay Out Front

As always in recent years, the true industrial leaders managed to stay out ahead of the pack. Eastman Kodak is one instance. **du Pont** is another. Although the steel strike took its toll in the last quarter and kept du Pont from breaking its 1955 record, earnings were still well above the previous year. In 1958, reflecting the recession Dupont's earnings were still a healthy $7.25 per share. In 1959, however, they climbed even further, falling short of $9.00 by only 8¢.

The action of du Pont stock is still under a cloud because of the government's anti-trust suit. Nevertheless, with or without its General Motors holding, du Pont is a prime money-maker.

Another consistent gain was made by **Reynolds Tobacco.** Despite the big swing to filter-tip cigarettes, and recurrent cancer scares, Camels, the company's principal brand, continues to outsell all others. Moreover, Reynolds continues to out-earn its rivals. Sales rose to almost $1.3 billion last year, while earnings rose handsomely to $4.45 per share from $3.80 in 1958.

Anaconda, a leading copper producer, scored a sharp recovery from the poor results of 1958. Earnings rose to $5.53 per share from only $3.16 a year earlier. However, Anaconda's better performance was temporarily restricted by fourth quarter earnings which were down sharply, reflecting strikes in its own industry and among its major customers. The strikes have now been settled, but the threat of large oversupplies of copper constitutes a basic problem still to be solved.

Similarly, **Allis-Chalmers,** another major company that reported improved earnings in 1959, may find that the betterment was only temporary. While full year earnings only improved to $2.47 from $2.34 a year earlier, progress in recent quarters have been exceptional, wiping out a strike-induced deficit in the first quarter. Now, however, if farm demand slows down, the early promise of a sharp improvement in 1960 may not be realized.

Trouble Spots

Although prosperity was fairly general in 1959, a number of important companies failed to improve over the previous year or showed actual declines.

Burroughs Corp., still wrestling with the problem of breaking in profitably into the electronics and automatic business machine field, once again had disappointing earnings. Sales improved, but profit margins declined to under 2 percent. Earnings, at $1.07 were only 5¢ better than in 1958.

This year may bring better results, however. The company's line of automatic banking machines has received good acceptance, and 1960 could bring a rise both in orders and deliveries. Research costs will still hold reported earnings down, but cash flow, which equalled $2.58 per share in 1958 should continue to provide the company with ample funds.

Texas Gulf Sulphur, one of the major companies in that industry also continued its poor showing. Sulphur prices have stabilized but at levels well below a few years ago. At $1.33 per share compared with $1.34 in 1958 earnings are unimpressive.

Shareholders can take some solace from the company's continued excellent financial condition, but the current dividend rate cannot be considered secure.

General Telephone & Electronics also turned a disappointing year. Earnings improved to $3.40 per share from $3.07 in 1958, but in view of the merger with Sylvania last year better results were expected. General is the largest telephone company outside the Bell system, but hardly comparable to American Tel. & Tel. If real growth is to occur, the Sylvania division must provide it, something it apparently is not doing yet. Once again we see the electronic pattern. Exciting possibilities, but little in the way of tangible earnings.

In missiles the same problem exists. **Thompson-Ramo,** a prime missile and electronic contractor reported higher sales in 1959, but earnings of $3.02 per share were only pennies better than in 1958. Thompson's troubles stem from its heavy commitments in the aircraft engine field, now a dying industry, and its heavy volume of automotive parts. A disappointing auto year in 1960 could hurt the company again and undo much of the progress being made in missiles and electronics.

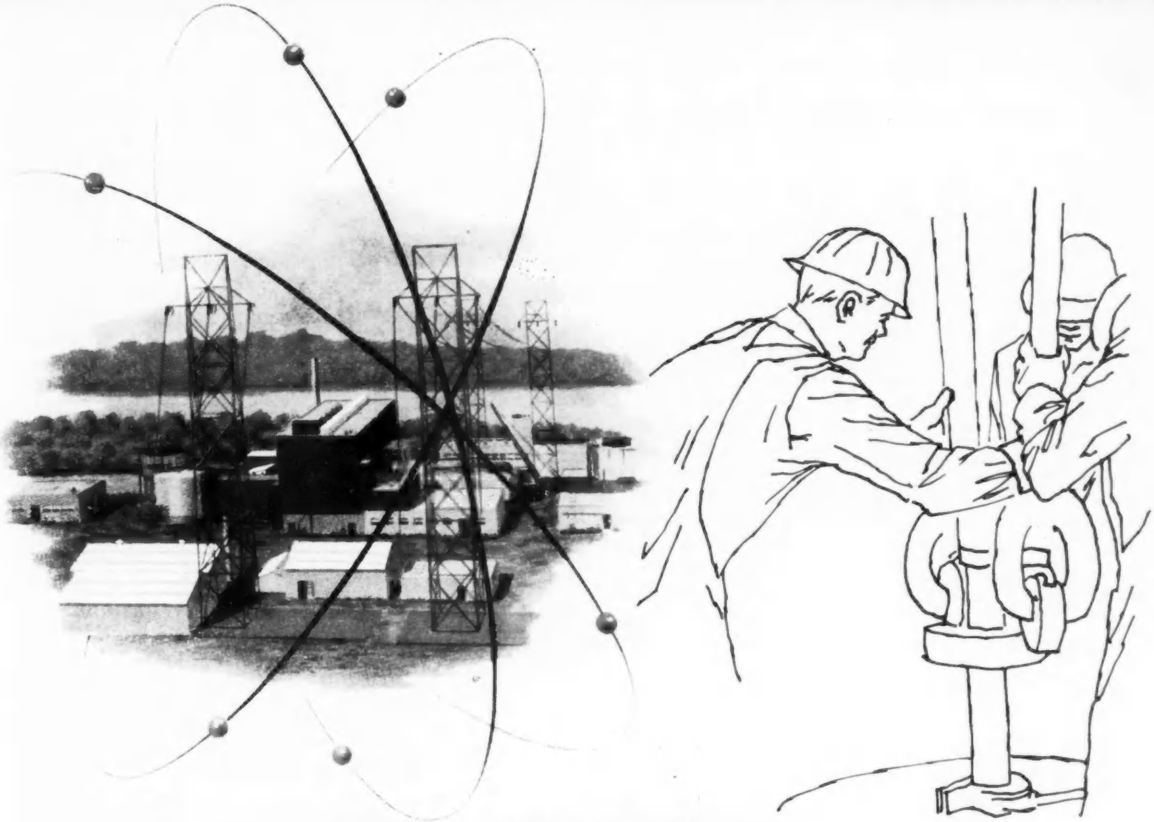
Summary

The net result of 1959 earnings reports is confusing for investors. Companies again demonstrated that they can maintain their profitability under adversity, but there is little evidence that earnings will grow substantially unless some new stimulus presents itself. A truly booming economy in 1960 might provide the push, but so far there is little indication that 1960 will be that good a year. In fact, the evidence, despite optimistic forecasts of a few months ago, is to the contrary.

For investors, management more than ever will be the most important ingredient in their decision to retain their investment interest in a company, and in making new commitments. The right kind of diversification and the profitability of interests and affiliations abroad should be an important determinant in investment selection.

Dividend-conscious investors should think in terms of the margin of earnings over and above dividend requirements, and the ability of companies to expand and modernize their facilities without costly outside financing.

Once again, the truisms of investment principles are becoming obvious. Earnings and dividends are the criteria of value. The owners of shares in companies that have both are the most secure regardless of the uncertainities ahead. END



Why High Cost COMMERCIAL ATOMIC ENERGY CANNOT COMPETE WITH OIL TODAY

—Nor for Years to Come

By JOHN H. LIND

- **Rationalizing prospects for civilian use of atomic power—based on first-hand material accumulated here and abroad**
- **Tells why atomic power is no near-term threat to oil and other conventional fuels—either in highly industrialized countries or even underdeveloped areas.**
- **How unforeseen discovery of vast oil deposits readily accessible to Western Europe has revised ambitious plans for nuclear solution of the power gap**
- **Will piping of Canadian natural gas to Pacific area halt plans for So. Calif. Edison's and Pacific Gas & Electric's proposed atomic power plants?**

AT the world's first atoms-for-peace conference (Geneva, 1955), the millenium seemed just around the corner. Scientists were telling diplomats of the gigantic power locked up in a single pound of uranium, and diplomats were telling scientists that once the new miracle energy became available in sufficient quantities, poverty would be a thing of the past.

The intervening five years have brought a rude awakening to the dreamers of the ever-abundant energy dream. For today, the economic utilization of atomic energy is actually further off than it seemed to be then. Unexpected technical difficulties and expenses in the construction of atomic power plants combined with the failure of conventional energy costs to rise, plus increases in the efficiency of conventional fuel utilization, have put the extended use of atomic energy into the distant future.

As of now, not a single atomic energy plant in the world—whether actually operating, under construction or in the planning stage—is able to commercially compete with any conventional power plant in the same area.

Of course, this does not mean that commercial atomic energy is dead. On the contrary, most children born this year will probably live in a truly atomic era by the time they reach middle age. But those of us who are now middle-aged are likely to live out our days still being served by fossil fuels

Demand and Supply of Energy in the O.E.E.C. Area
In million of tons of coal equivalent.

	1955	1965	1975
Estimates of total demand for primary energy	777	970-1,050	1,225-1,425
Mean of estimates	777	1,010	1,325
Potential indigenous supplies:			
Coal	477	440-480	430-495
Lignite	30	45	60
Crude Oil	13	30	50
Natural Gas	7	25	50-60
Hydro-power	56	95	140
Nuclear Energy	—	15-20	30-90
Other forms of energy	20	20	20
Total	603	670-715	780-915
Mean of estimates	603	690	850
Potential imported supplies:			
Oil	146	260-310	380-500
Natural Gas	—	5	10-75
Coal	28	10-60	10-60
Total	174	275-375	400-635
Mean of estimates	174	325	515
Total potential supplies	777	945-1,090	1,180-1,550
Mean of estimates	777	1,015	1,365

and water power.

Exactly when atomic energy will become competitive with conventional energy, depends on a number of factors of which only some, like the rise in energy consumption, are at all predictable. Among the many imponderables, the most important is technological progress. Just as atomic energy production has become retarded during the past years by unforeseen difficulties, so could it suddenly be advanced by unexpected innovations.

Atomic Fusion (Hydrogen Power) By the Year 2,000?

But far more important than any technological progress in atomic fission would be a major breakthrough in the **atomic fusion** field. Atomic fusion has, of course, already been achieved. It is the principle of the hydrogen bomb. But so far, it has not been possible to tame and control it so as to make it useful for non-military purposes. There is little doubt that eventually this will be done, and when it is atomic energy may be made out of water or even air. Thus, the dream of an ever-abundant energy source is not totally unrealistic. But it is highly premature.

Some of the world's leading atomic scientists believe it will take a couple of decades before atomic fusion even gets out of the laboratory stage. After that, another decade may be required to gain operating experience with the first pilot plants. It would seem therefore that commercial power by atomic fusion will have to wait for the 21st century, although the possibility of a dramatic scientific breakthrough at a much earlier date is always there, given the unpredictability of man's genius.

Further Development of Power Thru Atomic Fission

Meanwhile, atomic planners all over the world assure us that they are not sitting back and waiting for such a miracle, but are devoting their efforts to the perfection of **atomic fission** on which our present knowledge is far more advanced. In this endeavor they are subject to both economic and political influences. The most important of these concern the changes in the outlook for conventional energy and their political repercussions. A perfect example of this is provided by the twists and turns of Western Europe's energy policy in the postwar period.

Up to Date in Europe

From 1947 on Western Europe evidenced growing concern for what economists called "the energy gap," i.e., the difference between domestic supply and demand for fuels. Before World War II, Europe, on the whole, had no energy gap. Gasoline was a minor factor in its fuel consumption, while indigenous coal production plus water power was more than sufficient to meet all non-automotive fuel needs, with the exception of ship bunkering.

In the postwar period Europe's energy situation has undergone profound changes. Oil suddenly came to the fore because of (1) sharp increases in automotive and air traffic, (2) consumer preference for oil over coal for heating purposes, due to the liquid fuel's greater efficiency, and (3) the domestic coal industry's inability to keep up with demand.

Oil and Atomic Energy

These are the basic factors creating the energy gap which, in turn, led to Europe's well-known growing dependence on foreign oil, particularly from the Middle East. At first, this gap was viewed only in terms of its economic costs, i.e., the drain on foreign exchange caused by oil and coal imports. This led to the original decision to close the energy gap by means of domestically built nuclear power plants. Britain issued a White Paper on the subject in 1954 which called for the construction of 2,000 megawatts of nuclear plants by 1965. The Continent followed suit in the form of preliminary studies both by the O.E.E.C. and by the forerunner of Euratom.

The Oil Crisis

Then came the Suez Crisis and suddenly the energy gap became a war-or-peace issue. It formed one of the basic tenets of Sir Anthony Eden's policies, as the former Prime Minister's recently released autobiography shows. Time and again Sir Anthony states his belief that the development of

Atomic Energy Installations: Western Europe
(Capacity of stations in operation, being built and projected)

	Number of Power Stations	Capacity (millions of watts)
In operation	5	225
Being built	13	2,152
Decided on	6	1,575
Projected	19	4,035
Total	43	7,987

nuclear energy "is essential to the future of our industry and our *national life.*" In fact, no other consideration was as important in the decision of Britain and France to invade Egypt, following nationalization of the Suez Canal, than the fear of being at Nasser's mercy for the supply of Middle East oil.

Thus, the Suez crisis brought about a vast increase in nuclear energy planning in Western Europe. Britain raised its atomic power target for 1965 from 2,000 to 6,000 megawatts while Europe's six Common Market countries decided to create **Euratom** as an independent supra-national organization, charged with closing the six countries' energy gap by means of atomic power. For general guidance, Euratom was given a report by the "Three Wise Men" on how the energy gap could be fully stabilized by 1963 on the basis of projected atomic energy plants in the Common Market area.

Result of Experimenting With the Unknown

Today most of these ambitious schemes look so unrealistic as to be downright naive. Euratom plays a very subordinate role in the Common Market's energy planning. In fact, it is doubtful whether the European Community's planners would have created a major independent agency for this particular type of energy, had they known then what they know now. The report of the "Three Wise Men" is only mentioned in embarrassment or as a school example of heads-in-the-clouds planning. For there is no doubt that the Community's energy gap will continue to grow and will be met by shipments from overseas, but that this will bring neither political nor economic hardships to the Community. In Britain, too, the Second White Paper's target on atomic power was first reduced by 1,000 megawatts and is now down to 3,000 megawatts for 1965, just half of the figure set three years ago.

Unforeseen Developments Produce the Changes

What is the reason for this sharp reversal of policy? Mainly, the growing surplus of conventional energy sources which assures a stable price for them in the foreseeable future and makes it no longer possible for any producing country to coerce its customers under threat of withholding supplies.

The most important of these developments is, of course, the discovery of vast oil deposits in the *French Sahara.* General de Gaulle has made it clear that, no matter what the eventual outcome of the Algerian struggle, France does not intend to give up the oil fields there. There is no reason to doubt the General's ability to make good on his word, since oil is now flowing in large quantities to Mediterranean loading ports.

Despite previously uttered threats by Algerian rebel leaders that not a drop of oil would leave the Sahara until Algerian independence had been assured, in the sixteen months since oil had been flowing, not a single interruption has taken place. Perhaps equally important is **Libya** where some discoveries have recently been made which compare with the biggest in the Middle East.

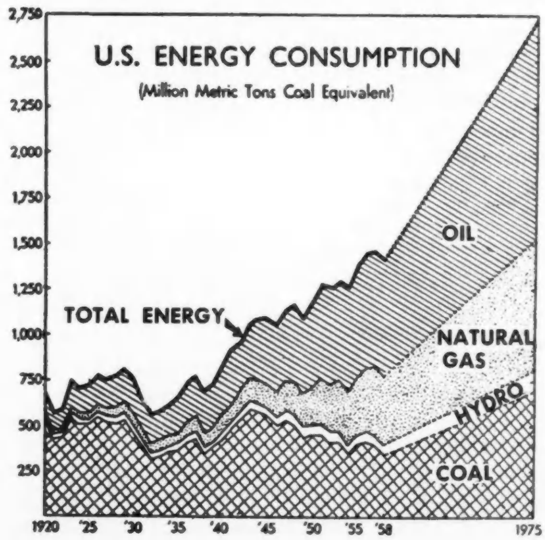
In the Western Hemisphere. **Argentina,** until recently a major oil importer, is now on the way to self-sufficiency, and may soon become a net exporter. Meanwhile, growing excess capacity is building up in Venezuela, Canada and even the United States. Thus, the specter of the Egyptian leader controlling the world's oil supply by means of the Suez Canal and the pipelines to Syria are all but gone. If another Suez crisis broke out tomorrow. the Western World would find relatively little difficulty in meeting the situation.

Repercussions on Coal

Another factor is the ability and willingness of the U.S. coal industry to export large quantities of coal to Europe where it can be laid down below the price of Ruhr coal, given reasonably low freight rates. In fact, American coal exporters do not get nearly enough orders from Europe. since consumers there are continuing to switch rapidly over towards oil, so that virtually every European coal producing country has currently a considerable coal surplus—a far cry from the belief of a few years ago of a growing gap between European coal production and demand.

Most of these new trends are clearly spelled out in a very thoughtful report entitled, "Towards a New Energy Pattern in Europe," recently released by O.E.E.C. headquarters in Paris. The report is not opposed to the continuation of work on atomic energy power plants, since there is no other way for engineers and scientists to gain practical experience with the new energy form which will some day play a major part in supplying the world's power needs.

But after having made every allowance for the purchase of experience in pressing forward this new technology, the report points out that in its view, nuclear power generation is most unlikely to be able to compete in cost with conventional energy in the next decade and that its development is imposing a heavy cost in additional investment upon the countries concerned. Even in terms of import-saving, the import cost involved in European nuclear development might buy enough coal or oil to generate three-quarters of the power that nuclear stations might be expected to provide by 1965! Altogether, it foresees for 1975 a total atomic energy production equivalent to perhaps 60 million *(Please turn to page 692)*



Inside Washington

By "VERITAS"

POLITICS, staple diet of the Nation's Capital, is momentarily indigestible. By that is meant the wise-acres — many with long records of accurate forecasts — do not know which way the swing will go, or to whom. Generally, it is agreed that the Republicans will recapture the White House; that the GOP will whittle Democratic majorities in House and Senate. But who moves into 1600 Pennsylvania Avenue, and by what margins the Democrats will control the legislative halls is anyone's guess. Although Vice President Richard M. Nixon is now front runner for the GOP nomination, many old-timers insist Nelson A. Rockefeller is "still in the picture." On the Democratic side of the "hassel" the same old-timers say there are too many in the field—five from the Senate, and three from governors' chairs. This plethora of numbers seems to add up to a Convention "deadlock" which will result in a final choice of Adlai Stevenson, certain to be a three-time loser. As for House and Senate, it is foreseeable that on the law of averages, Democratic majorities are sure to be cut.

WASHINGTON SEES:

Cuba, most definitely, has become Moscow's strongest outpost in the Western Hemisphere but at the moment the United States — including the State Department and Congress — doesn't know what to do "about it."

Intelligence files are bulging with accurate documentation of Fidel Castro's close affiliation with the U. S. S. R., his promotion of disorders in Panama and other Latin American countries. Unilaterally, we can do nothing unless Castro elects to exert physical force against our Naval installation at Guantanomo Bay. The bewhiskered dictator is well aware of this fact, will refrain from overt action there, but will continue his seizure and nationalization of American-owned facilities and properties in Cuba.

We have but one recourse — the Organization of American States — comprised of this country and 20 Latin American Republics, about half of which are dictatorships, some of them leaning toward leftist doctrines; a situation which as a rule does not lend itself to concerted action — economic or military — but President Eisenhower may have overcome this problem in his talks with South American leaders.

If, however, OAS by two-thirds vote decides on economic and military intervention, the United States would have to "tote" the load, just as we carried most of the United Nations' burden during the Korean "police action."

JUSTICE Department, Anti-Trust Division, smarts under stinging defeat of its try at convicting 29 oil companies of "conspiracy" to increase prices during the Suez Canal imbroglio which, definitely, slowed the flow of foreign oil to American shores. Ignored by the Department was fact that such a situation would inevitably boost domestic prices. Despite all of this, Justice's Anti-Trust Division pressed its charges, assembling over one million pages of documents (taken from files of the defendant companies) to press government's case. A grand jury was called into special session, indictments were obtained, pre-trial arguments were heard. And to little avail. Government presented its case for a solid week, after which the presiding judge (at Tulsa, Okla.), blandly, but firmly, said the Department of Justice had not presented a case of merit, therefore acquittal was directed. It adds up to a complete re-examination of Anti-Trust Division's "modus operandi" in conspiracy cases. No heads will fall as a result, but future cases will be more closely examined to make sure that Government is in the right.

VETO of Water Pollution Control bill, sustained by House, indicates the President will continue his objections to Federal appropriations for projects properly falling within the area of local responsibility. This, the first major test during the current Congressional Session, was a major victory for the President, and clearly portends negative White House action on numerous other spending bills that may reach his desk before adjournment.

As We Go To Press

Labor slips backward in its organizational and representation "trys." This is evident from analysis of recent figures published by the National Labor Relations Board. In the last quarter of 1958, Labor won 62 percent of the union-versus no union elections. For the last quarter of 1959 the percentage went down to 56.4%. In the meanwhile, the AFL-CIO runs into tougher organization opposition in the South and Mid-West, areas where there exists more "rugged individualism" and less dependence upon mass action. Other available figures, some of them from AFL-CIO sources, indicate labor membership is approximately static, showing less than a one percent increase in the past three years against a more than five percent increase in the labor force during the same period.

In the meanwhile, AFL-CIO President George Meany has embarked on a program which may be "union busting" or a means of dragooning more dues-payers into the union fold, depending upon just how he details the operation. Responding to a request of the President's Committee on Government Contracts which bar racial discrimination in employment by contractors performing for the government, Meany said that he would supply Negro workers, regardless of membership or non-membership in a labor union. Question is: will the Negroes get the jobs without financial tribute to the unions? Maybe, but doubtless they will be required to sign a 30-day "join up" agreement before actually obtaining the Meany-promised employment. Otherwise, thousands of white union members, dissatisfied with union policies, could demand equal privileges. Only time can tell the outcome.

Perennially requested postal rate increases went to Capitol Hill last month with "two strikes" against the proposal: Traditionally, the Congress does not up postal rates (or taxes) in an election year, and (2) influential Members of both Houses feel P. O. Department's ills are traceable to inefficiency and mismanagement, rather than to present rates which represent increases in excess of cost advances in other areas of government operations. The request, according to one well-placed Senate source, could well result in a months-long investigation of marked deterioration of mail services in the past five or six years.

The Department, under the direction of Postmaster General Summerfield, has undertaken considerable research into time-saving mechanical and electronics systems of mail distribution but, in the words of a ranking member of the Senate Post Office and Civil Service Committee, "The mails are simply not moving on schedule!" There is growing legislative opinion that the Department concerns itself too much with censorship, production of new commemorative stamps and other matters not directly related to efficient dispatch and handling of the mails, the Department's "prime" responsibility.

Imports of foreign oils — crude, unfinished and finished — under the government's quota program, are running under assigned quotas. Individual company adjustments, including transfer of allowables, are still being made and will continue, but when imports will equal allowables is uncertain. In the meanwhile, the quotas — designed primarily to encourage domestic exploration and development — have not caused any appreciable step-up in new drilling, although there has been some increased domestic production from existing wells in limited areas. Independent producers without foreign sources may ask further quota cuts.

Cuban propaganda received by the Washington press corps in past two weeks very plainly bears the Moscow "imprimatur." The initial "offering," primarily an attack on the Inter-American Press Association, so closely follows the Communist Party "line" in phraseology and make-up — even to the extent of red ink and atrocity photographs — that one can only conclude it was either prepared in Moscow, or by Moscow-trained propagandists. In the meanwhile, Capitol

Hill plans to give the President broad powers to curb Cuban sugar imports moves apace.

Chemical manufacturing industry continues shift to South and West, primarily because of proximity of raw materials. Planned 1960–1961 construction now stands at $136.8 million with $368.1 million of new construction now under way. By end of two-year period, $1.2 billion of nationwide $3 billion total will be located in Arkansas, Louisiana, Oklahoma and Texas — divided about 75-25 between petrochemicals and plastics (including synthetic textiles). All of the projects — new and under way — are privately financed and without Federal subsidy. Participating are 87 firms who will build 151 projects in the four States.

Pending proposals to create two new Cabinet level Departments — Consumers, and Urban Affairs — the first having concerted support of the AFL-CIO and the second boosted by urban areas having trouble keeping apace with their own community responsibilities — will not get any Congressional action during the current Session of Congress. Nor is favorable action by the 87th (next) Congress in the cards.

The Consumers Department would duplicate efforts now undertaken, and enforced, by the Food and Drug Administration and the Federal Trade Commission, while the urban areas will get Congressional advice to "tote your own load, don't drop it in the lap of Congress." Proponents of the Urban Affairs Department argue that we have a Department of Agriculture to help the farmer, ergo, there should be an equal Cabinet set-up to wet-nurse the Cities. Fortunately (or unfortunately) the Department of Agriculture has generally failed in its efforts to relieve farm "distress," therefore there is no reason to believe a Department of Urban Affairs could in any way help the Cities — except at general taxpayer cost, usually $1.20 for every dollar of Federal aid.

Railroads, seemingly winning their fight to supplement and extend present services through bus, air, water and pipe-line, are now embroiled in a Congressional struggle which, if lost, would seriously impair their finances, almost to the point of bankruptcy. Pending are two bills — one before the House, the other before the Senate —which would repeal a Section of the Interstate Commerce Act, adopted in 1958, to facilitate discontinuance of heavily-losing passenger trains.

To win the first measure and lose the second would leave the railroads in continuing bad financial condition — loss of the second off-setting any gains from the first. Maintenance of services not used by the public has long been a financial drain on the carriers; revival of such services under the proposed legislation could well be the end of independent rail operations, thus turning the railroads over to government for continuance of services. Hopeful, but not conclusively so, is the legislative log-jamb sure to stem from prolonged debate on civil rights legislation. A new Congress might possibly be more sympathetic to the carriers' dilemma.

Witholding of taxes on corporation dividends (including farm co-operatives) seems to be in the offing. Ways & Means Committee, which has completed thorough study of co-op taxation without offering specific legislation, faces up to fact that Senate Finance Committee (Chairmanned by Harry F. Byrd, of Virginia), can (and will) amend any tax bill, no matter how minor, that may come over to the upper chamber from the House. Farm blocs, naturally, are opposed but so-called farm influence with Congress wanes.

South American visit of Eisenhower yet to be appraised — brought into focus. Press reports indicate overwhelming Latin good-will toward the United States, but the cheers of crowds indicate nothing conclusive. The Latins can love one today, despise the same one tomorrow. The President visited only four countries, presumably the most powerful in the Southern continent, but they do not necessarily reflect over-all Latin-American sentiment.

The President's pledge of greater economic aid through savings on disarmament meets general Congressional approval. Congress, however, is willing to alter the picture somewhat — provide ample financial aid to Latin American Countries, but at the expense of aid to European and Asiatic nations. The Senate has yet unpublished proof of International Cooperation Administration waste and inefficiency in the Euro-Asian areas.

Comparing Inducements and Advantages for Industry in Puerto Rico and Jamaica

► **Political Atmosphere—areas of government—financial aid and collaboration—taxes—wage differentials**

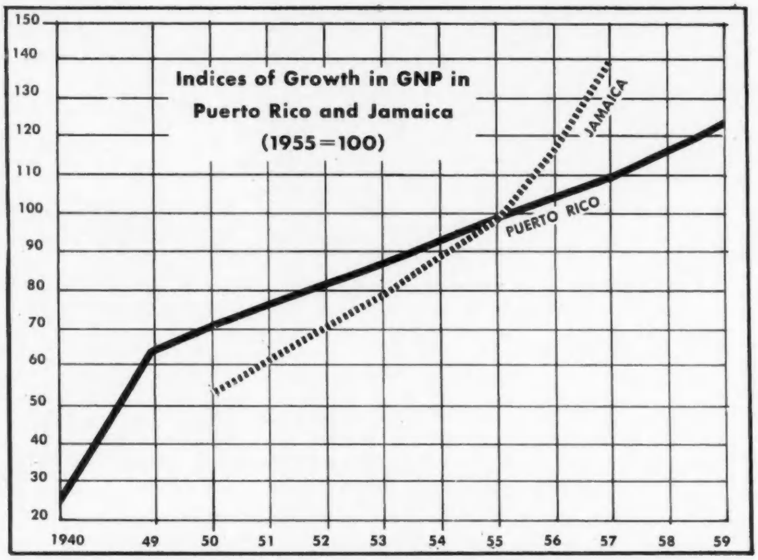
By NORMAN A. BAILEY

TWENTY years ago it would have been difficult to find two more depressed and poverty-stricken areas in the world than the West Indian islands of Puerto Rico and Jamaica. Today Puerto Rico enjoys the highest standard of living in Latin America, and Jamaica's per capita income has quintupled over the past two decades. Both islands have special advantages, and both have received generous assistance from their parent countries, but in the final analysis both Puerto Rico and Jamaica have been developing successfully because of the vision and good sense of their leaders and the vigor and hard work of their people.

Puerto Rico and Jamaica share many features in common. They are both tropical islands—the mean temperature in San Juan is 76° and the mean temperature in Kingston is 79°F. They are about the same size, 4411 square miles for Jamaica and 3423 square miles for Puerto Rico. Both are over-populated. Puerto Rico has one of the highest population densities in the world, with 671 persons per square mile (compared, for example, with 56 in the U.S.), while Jamaica has 385. Puerto Rico's population is growing at a rate of 2.6% per year, and Jamaica's at 1.9% per year. Both Puerto Rico and Jamaica are in a transitional stage politically.

Since 1952 Puerto Rico has been an autonomous commonwealth within the United States, electing its own executive and legislature. The government party, and its leader, Governor Luis Munoz Marin, are in favor of Puerto Rico retaining its present status. There is a small independence party and a larger party which desires statehood for the commonwealth. Either status would bring with it distinct economic disadvantages for the island.

Jamaica attained self-government in 1957 and is now governed under the constitution of 1959, with an elected Premier and legislature. Only defense and



foreign relations are still in the hands of the British. Jamaica is the largest and most important part of the Federation of the West Indies, to which Trinidad and the Windward and Leeward Islands also belong. The Federation is governed by an appointed Governor-General and an elected Prime Minister and legislature, in which Jamaica has seventeen out of forty-five seats. When granted full dominion status the Federation will be as independent as Canada or Australia, while remaining in the Commonwealth.

There Are Important Differences Between The Two Countries, However

► Although both had a primarily agricultural economy until very recent times, with sugar and coffee predominant in Puerto Rico and sugar and bananas in Jamaica, in the last few years important deposits of various minerals, especially bauxite and gypsum, have been discovered and are being worked in Jamaica, whereas Puerto Rico is apparently completely devoid of commercially important resources of raw materials.

► On the other hand, Puerto Rico's position within the U.S. market is of greater importance to it than Jamaica's position within the British Empire, due to the difference in distances between the two islands and their respective mother-countries.

Still, each enjoys the immense advantage of built-in political stability and freedom from the necessity or temptation to spend large sums on useless and bloated armed establishments, the curse of so many of the independent Latin American countries. They both also enjoy the advantage of a safety-valve for their burgeoning populations in free migration to the home country. In recent years emigration to the United States has absorbed almost the entire natural population growth in Puerto Rico, and 12-18,000 Jamaicans migrate to the United Kingdom yearly. Transportation and communications are important problems in mountainous Jamaica, whereas there is no part of Puerto Rico not easily accessible from the capital.

Industrial Growth in Puerto Rico and Jamaica

Puerto Rico began its industrial development several years before Jamaica, and has forged ahead accordingly. In 1942 the Puerto Rico Industrial Development Company, the Puerto Rico Planning Board and the Government Development Bank were established. For some time the Development Co. attempted to set up and run various industries itself. This approach was found to be entirely unsatisfactory, and in 1948 the Puerto Rican legislature passed an act granting substantial tax benefits to industries locating on the island. ● Qualifying corporations are totally exempt from income taxes and municipal license taxes for a period of ten years from the date of commencement of operations. ● Exemption from property taxes extends from five to ten years depending on the amount of the original investment. ● Dividend payments to *bona fide* residents of Puerto Rico are exempt from taxation on profits from the first seven years of operation, if paid within the first fifteen years.

The Industrial Development Company now confines itself to providing buildings where needed, granting loans, taking minority positions in new enterprises and granting various other special incentives. In fiscal 1959 the company's operations totalled $13.7 million. Another agency, the Government Development Bank, makes long-term loans to new firms. The entire program, which the Puerto Ricans call "Operation Bootstrap," is under the direction of the Economic Development Administration, which now operates under the law of 1954, passed after the expiration of the original act. ● The Commonwealth government confines itself to providing those services necessary to economic develop-

Expenditures on Gross National Product in Puerto Rico and Jamaica

(Dates for Puerto Rico refer to Fiscal Years)

Year	Puerto Rico (million $)	Index (1955=100)	Jamaica (thousand £)	Index (1955=100)
1940	287	25	N.A.	N.A.
1949	718	63	N.A.	N.A.
1950	N.A.	N.A.	77,328	53
1951	N.A.	N.A.	89,773	61
1952	N.A.	N.A.	103,815	70
1953	N.A.	N.A.	115,960	79
1954	N.A.	N.A.	129,552	88
1955	1133	100	147,270	100
1956	1178	104	170,594	116
1957	1233	109	205,123	139
1958	1315	116	N.A.	N.A.
1959	1406	124	N.A.	N.A.

ment, but in which private enterprise is unlikely to invest, such as roads, hydroelectric power, education and health. ● At the present time the government spends about 30% of its annual budget on education, with an emphasis on vocational training.

Jamaica began its development program in 1949, when the Pioneer Industry Encouragement Law was passed, with the support of both major parties. ● Industries qualifying for "pioneer" status can import necessary machinery and equipment duty-free and can write off capital expenditure in any five of the first eight years of operation. In 1952 the Industrial Development Corporation was established to aid industrialization by conducting research and providing capital aid. ● The Corporation will invest in land and buildings, machinery and equipment, and will grant long-term loans at easy rates. ● It will also make market surveys, find plant sites, screen workers, set up books, and even build a factory according to specifications and rent it to the industry at 10% of cost per year. Labor-intensive industries particularly are desired. The government will protect native industries when necessary, and in one case (a cement plant) has completely prohibited competing imports.

There is no limit to the amount of capital in an enterprise that may be owned abroad and there are no restrictions on the repatriation of capital and dividends. In 1956 three more incentive laws were passed. ● The Industrial Incentives Law provides, for approved industries, duty-free imports and two alternate plans for tax relief, with a maximum exemption period of seven years. ● Jamaican residents are exempt from income tax on dividends paid from tax rebates. ● The Export Industry Encouragement Law provides, for industries manufacturing solely for export, the above advantages plus perpetual duty-free entry of raw materials and fuels.

The International Business Companies Law provides for the total and perpetual exemption from income taxes of international business companies which are not trading locally or in the British West Indies, British Guiana and British Honduras. ● All products manufactured in Jamaica receive preferential tariff-treatment throughout the Commonwealth, averaging about 50%. ● A new ten-year development plan was begun in 1957, during which £79,000,000 will be spent, mostly on education, health and public services. ● Almost all industry in Jamaica is privately-owned. Though both Jamaican Parties are avowedly socialistic, all responsible leaders have come to realize that nationalization would be suicidal, and have pledged that no sector of the economy will be nationalized

This, then, is the framework under which these two underdeveloped countries have been attempting to industrialize. What have the results been? The accompanying tables and charts provide a graphic demonstration of the effectiveness of these programs. (Current prices have been used in all cases because Jamaican statistics are not given in constant prices. Inflation in both Puerto Rico and Jamaica, however, has been very mild.)

Per Capita Income

Per capita income rose in Jamaica from $65 in 1938 to $306 in 1957. In Puerto Rico it has risen from $121 in 1940 to $512 now (only Venezuela has a higher per capita income in Latin America, and when distribution of the *(Please turn to page 694)*

Jamaica—Industrial Origin of Gross Domestic Product at Factor Cost

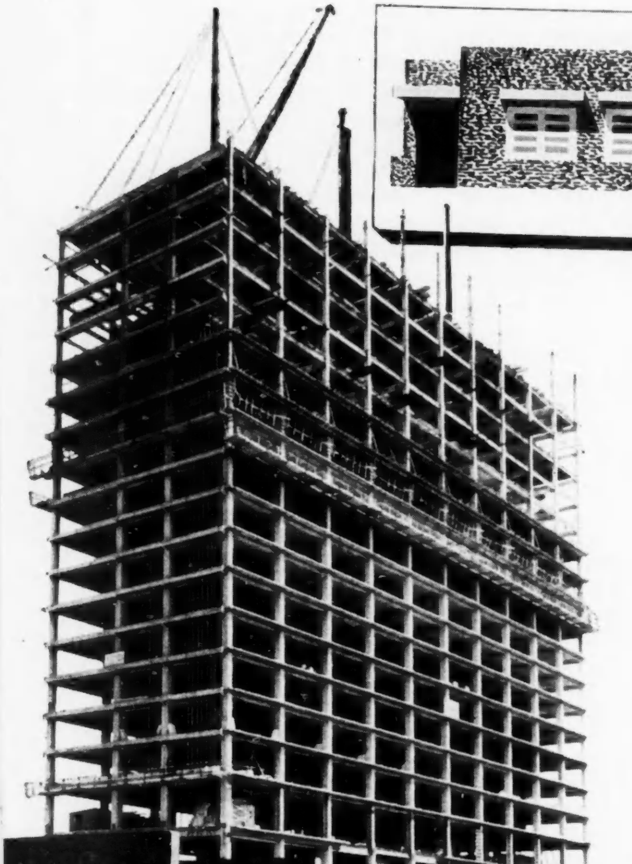
(in thousand £)

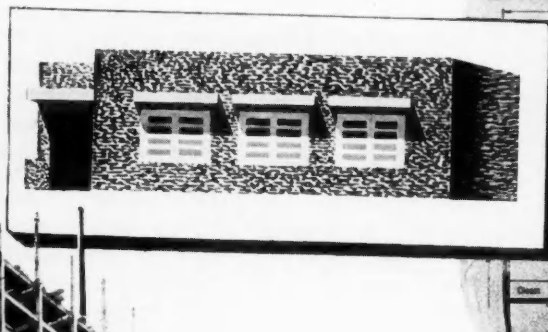
	1953	1954	1955	1956	1957	% of 1957 Total
Agriculture, Forestry & Fishing	23,000	24,000	26,000	26,000	27,000	13.8
Mining	3,000	5,000	6,000	9,000	17,000	8.8
Manufacturing	15,000	17,000	18,000	21,000	24,000	12.7
Construction	10,000	10,000	13,000	20,000	26,000	13.6
Public Utilities	800	900	1,000	1,000	2,000	0.9
Transportation and Communications	7,000	8,000	10,000	11,000	12,000	7.9
Distribution	18,000	20,000	23,000	26,000	32,000	16.6
Financial Services	3,000	4,000	5,000	7,000	9,000	4.7
Real Estate	5,000	6,000	6,000	6,000	6,000	3.3
Government	6,000	7,000	8,000	10,000	11,000	6.6
Services	15,000	17,000	19,000	21,000	24,000	12.6
Total	107,000	120,000	136,000	158,000	192,000	

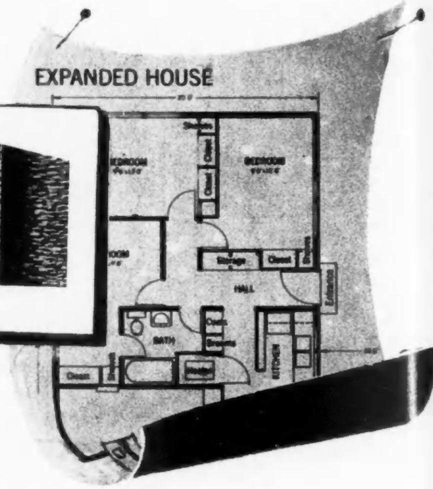
Puerto Rico—Industrial Origin of Net Income

(in million $)

	39/40	48/49	54/55	55/56	56/57	57/58	58/59
Agriculture	70	152	162	164	153	155	162
Manufacturing & Mining	27	82	174	199	217	226	244
Trade	27	95	154	165	179	186	205
Commonwealth & Local Government	19	71	108	119	133	146	165
Federal Government	24	46	113	86	80	80	81
Others	58	151	224	229	248	273	292
Total	225	597	935	963	1010	1067	1148







Reappraisal of 1960-61 Outlook for CONSTRUCTION INDUSTRY

By RUSSELL CHARLES

- **Total building and construction in 1960-61 still looks good**
- **Expect erratic performance in residential building — mortgages plagued by money rates**
- **Prospects for the other various areas in construction that may offset residential decline**
- **Companies to benefit — those likely to be relatively slow — or even retarded**

THE two leading construction forecasters, The U. S. Department of Commerce and the F. W. Dodge Corporation seem to be in some disagreement over the construction outlook for 1960. Government authorities set the 1960 total figure at \$55.3 billion, up 2% from 1959, while the Dodge experts look for a slight decline of 1% to \$53.3 billion.

However, *both authorities agree that residential construction will be down, industrial up, with utility and highway construction a somewhat stabilizing influence,* although it will certainly not provide the powerful stimulant that had originally been anticipated. Of more value to investors than the total figure are the trends in the specific categories that make up the widely-quoted construction figure. Wall Street well remembers the decline in housing starts that occurred in 1956 and 1957 and the erratic performance of some of the widely held building

Statistical Data on Leading Building Supply Companies

	—Earnings Per Share—			—Dividends Per Share—					
	1957	1958	1959	1957	1958	Current Div. *	Recent Price	Div. Yield	Price Range 1959-60
Alpha Portland Cement	$2.90	$2.70	$3.96	$1.50	$1.50[1]	$1.80	35	5.1%	39⅛- 37
American-Marietta Co.	1.78	1.62	2.03	.85	1.00	1.00[2]	3.5	2.8	46⅜- 32
American Standard **	1.05	.85	1.80	1.10	.55	.90	15	6.0	18⅜- 13
American Seating	2.65	3.10	3.00[4]	1.50	1.50	1.60	32	5.0	41 - 30⅛
Armstrong Cork	2.10	2.59	3.69	1.30	1.40	1.70	42	4.0	49¾- 35⅝
Bestwall Gypsum Co.	1.67	2.23	2.40	3	3	3	37	—	43⅝- 32⅜
Carey (Philip) Mfg. Co.	2.57	1.99	3.45[4]	1.60	1.60	1.70[1]	32	5.3	52½- 30½
Carrier Corp.	3.17	3.27	3.62	2.40	2.00	1.60	38	4.2	48½- 34⅝
Celotex	3.53	2.79	3.77	1.60	2.20	2.00	34	5.9	44⅞- 32
Certain-teed Products	1.12	.96	1.70[4]	.70	.60	.70	13	5.3	16⅞- 11⅝
Congoleum-Nairn	d .58	d2.88	.65[4]	.40	—	—	11	—	14¾- 10⅛
Crane Co.	3.47	2.12	4.03	2.00	1.10	2.00	61	3.2	72 - 35½
Flintkote	2.28	2.22	2.61	1.60[1]	1.60	1.80	35	5.1	44¼- 32¼
General Portland Cement	1.61	2.13	2.27	1.15	1.15	1.50	34	4.4	43⅞- 32⅜
Glidden Co.	3.16	2.64	3.31	2.00	2.00	2.00	40	5.0	50¼- 39½
Holland Furnace	.65	1.16	1.30[4]	.60	.60	.60	12	5.0	15¼- 11⅛
Johns-Manville	2.48	2.83	3.74	2.00	2.00	2.00	48	4.1	59⅞- 44¾
Lehigh Portland Cement	2.13	2.11	2.88	1.00	1.00	1.20	29	4.1	37⅜- 27⅜
Lone Star Cement	2.03	2.06	2.25[4]	1.10	1.20	1.30	28	4.6	37¼- 26
Marquette Cement	2.71	3.26	3.55	1.40	1.50	1.80	47	3.7	59⅜- 44¼
Masonite	3.50	2.93	3.59	1.20[1]	1.20[1]	1.20	35	3.4	46⅞- 34
National Gypsum	3.70	3.46	4.56	2.00[1]	2.00[1]	2.00[1]	55	3.6	71 - 51½
Otis Elevator	1.79	2.10	2.75[4]	1.00	1.00	1.40	40	3.5	46 - 30¾
Penn-Dixie Cement	2.14	3.07	3.42	1.20	1.40	1.60	31	5.1	39⅜- 29¾
Pittsburgh Plate Glass	5.86	3.24	4.35[4]	2.75	2.20	2.20[1]	72	3.0	91½- 69
Pratt & Lambert	5.24	4.34	5.00[4]	3.25	3.25	3.25	63	5.1	83 - 61½
Ruberoid	3.00	2.56	3.48	2.10	2.00	2.20	40	5.5	47½- 37½
Sherwin-Williams Co.	5.69	5.74	6.63	2.56	2.75	3.00	103	2.9	112 -102
Trane	2.93	2.82	2.40[4]	.90	.90	.90	62	1.4	70 - 53½
U. S. Gypsum Co.	4.78	5.05	5.70	2.75	2.85	3.00	88	3.4	120 - 86½
U. S. Plywood	3.24	2.47	5.37	2.00	1.62	2.25	48	4.6	58¾- 39⅛
Yale & Towne	2.11	1.62	2.25[4]	1.50	1.50	1.50	34	4.4	39½- 29⅞

*—Based on latest dividend rate.
d—Deficit.
**—Amer. Radiator & Standard Sanitary Co.

1—Plus stock.
2—Plus 25% stock in 1959.
3—Paid 3% in stock.
4—Estimated.

Alpha Portland Cement: Earnings in 1960 should closely approximate the $3.96 per share of 1959. **B-2**

American-Marietta: Recent acquisitions and expanded plant facilities helped set new sales and earnings records in 1959 outlook promising further improvement in 1960. **B-1**

American-Standard: Little likelihood of earnings betterment this year because of anticipated downturn in residential building. **B-2**

American Seating: Favorable outlook for school construction plus absence of heavy plant expenditures should result in higher earnings in 1960. **B-1**

Armstrong Cork: Profit margins are being well maintained but higher earnings level will depend upon price increases. Stock appears fully priced at present level. **A-2**

Bestwall Gypsum: The plant expansion program and resultant start-up costs might postpone substantial earnings gains to 1961-1962. **B-2**

Carey (Philip) Mfg. Co.: A slight decline in earnings seems likely this year but dividend looks reasonably safe. **B-2**

Carrier Corp.: New orders for the Elliot Divisions heavier equipment look better, and a reversal of last year's substantial loss for this division could help 1961 results, but major labor difficulty in Syracuse, as well as in Pittsburgh, mar the outlook. **B-2**

Celotex Corp.: Past earnings record shows wide fluctuation as a result of industry and leverage factors. Near term prospects appear fully evaluated. **B-2**

Certain-Teed Products: Unstable price structure points to weak profit margins. Also continued diversification efforts will tend to hold down near term earnings. **B-3**

Congoleum-Nairn: Plant and product realignment program appears to be progressing favorably but near term prospects remain somewhat uncertain. **C-2**

Crane Co.: 1960 earnings should remain around the $4.00 level of last year. Management problems remain unsettled. **B-2**

Flintkote: Current industry prospects indicate an earnings level about the same as last year but longer term prospects seem favorable. **B-2**

General Portland Cement: Rising sales, good cost control should moderately help 1960 earnings. Good long term potential. **A-1**

Georgia-Pacific Corp.: Reported a 40% gain in total net over 1958. Cash flow was close to $6.90 a share compared with reported net of $2.60. Capital gain income from timber cuttings kept the tax rate down to 47%. The kraft paper and container board mill is doing well and should help o lift earnings in 1960. **B-1**

Glidden Co.: The earnings recovery staged in fiscal 1958-1959 should continue through the current 1959-60 fiscal period. Longer term outlook appears favorable with the current $2.00 dividend secure. **B-1**

Holland Furnace: Finance subsidiary operations should boost sales and earnings this year. However, the uncertainty over the outcome of FTC charges against company cloud near term prospects. **C-2**

Johns-Manville: A high quality stock having promising long term prospects via recent acquisitions. 1960 operations seem likely to be around 1959 level. **A-2**

Lehigh Portland Cement: Sales and earnings level this year should approximate that of 1959. Dividend rate seems secure. **B-2**

Lone Star Cement: Continued improvement likely this year as result of good plant location and cost control. **A-1**

Marquette Cement: Better than average long term potential but 1960 results are likely to be held to 1959 level. **B-2**

Masonite Corp.: Continued heavy depreciation charges and start-up expenses appear likely to hold 1960 earnings to 1959 Level. **B-2**

National Gypsum: Recent diversification moves and good management hold promise of favorable intermediate and long term earnings prospects. Dividend sound. **B-1**

Otis Elevator: Loss of Brunswick-Balke-Collinder pinsetter production indicates lower earnings in 1960. Longer term outlook generally favorable. **B-3**

Penn-Dixie Cement: 1960 earnings will probably finalize around the 1959 level, but should selling prices rise earnings may show a slight increase. **B-2**

Pittsburgh Plate Glass: Having achieved a period of labor peace the 1960 earnings outlook seems quite satisfactory at this time, especially if auto demand holds close to earlier estimates. **A-2**

Pratt & Lambert: General industry conditions may hold earnings at or slightly below 1959 pace. **B-2**

Ruberoid Co.: Continued product expansion and profit margin improvement is anticipated although earnings are likely to remain around 1959 area due to price uncertainty.

Sherwin-Williams: 1960 earnings seem likely to exceed the $6.62 level of 1959. Financial position is strong with favorable prospects for a dividend increase. **A-1**

Trane: Company should share in the benefits of a favorable air conditioning market outlook, thus earnings are expected to rise slightly this year. Dividend rate seems safe with an outside chance of an increase. **A-2**

U. S. Gypsum: Industry overcapacity plus expected decline in building activity is likely to hold earnings slightly below 1959 level. Longer term outlook favorable. **A-2**

U. S. Plywood: While sales performance has been good there is instability of price levels. 1960 earnings will probably approximate $4.50 a share. **B-2**

Yale & Towne: With new orders reported above year-earlier levels, 1960 sales and earnings prospects seem likely to improve on the basis of a strong overseas volume. Domestic residential hardware volume is anticipated to decline slightly. **B-1**

Ratings: **A—Best grade** **B—Good grade.** **C—Speculative.** **D—Unattractive** **1—Improved earnings trend.** **2—Sustained earnings trend.** **3—Lower earnings trend.**

stocks. *Yet those were very nearly record years for total construction.*

Decline in Residential Building

This category amounted to about $22 billion in 1959 or 41% of total construction. F. W. Dodge estimates that housing starts will approximate 1,240,000 units in 1960, down 8.2% from the near record level of 1,350,000 units estimated for 1959. This view is a little more optimistic than the 11% drop to the 1,200,000 figure estimated in some quarters, but nevertheless this is of little consolation. A continuation of the trend toward higher priced homes, and a slightly higher level in the home improvement demand for building materials, will be a partially offsetting factor.

However, at this point it appears that total residential construction may decline 5-7%, an ill wind for companies that depend upon highly competitive products such as asphalt roofing, plywood, or fiberboard products where price weakness showed up even in last year's markets. Such companies well gear their sales effort more to industrial demand and hope their woes are not compounded by further price cuts in the residential area.

However, trends established during the winter, when building activity is at a seasonally low level, sometimes prove to be false prophets, of what lies ahead. Building activity will pick up seasonally in the spring, but the general problem of tight money, principally mortgage money, will in all likelihood check any rebound to a high level.

The Mortgage Situation

Despite discounts on F. H. A. mortgages, both these and Veterans's Administration (V. A.) mortgages are difficult to obtain because of the low yield to mortgage leaders. Conventional mortgages recently have carried an average interest rate of 6% for the nation as a whole, but varied greatly in different sections of the country. Also, the usury laws of many states prevent the establishment of interest rates, which under prevailing credit conditions, would be high enough to attract mortgage money. Where such funds are available several factors are seriously affecting the market of potential buyers. These include (1) higher interest rates, (2) more stringent credit requirements and higher amortization charges (a result of the reduction of the mortgage-term-maturity by the mortgage lenders). *These combine to result in greatly increased monthly carrying charges which are eliminating numerous persons previously considered as prime potential buyers.*

A recent local development—the withdrawal by a major mortgage lending institution from giving builders mortgage commitments (a device whereby the builder can assure a potential buyer of the

Comprehensive Statistics Comparing the Position of Representative Building Supply Companies

Figures are in millions of dollars except where otherwise stated	American -Marietta Co.	Armstrong Cork	Bestwell Gypsum	Carrier Corp.	Celotex Corp.	Flinkote Co.	Johns-Manville	Lehigh Portland Cement	U. S. Gypsum
CAPITALIZATION:									
Long Term Debt (Stated Value)	$ 42.5	—	—	$ 56.1	$ 20.4	$ 17.4	$ 2.7	$ 29 0	—
Preferred Stock (Stated Value)	$ 21.4	$ 16.6	—	$ 18.8	$ 5.1	$ 25.4	—	—	$ 7.8
No. of Common Shares Out. (000)	14,546[1]	5,054	2,004	2,041	1,028	5,062	8,474	4,2[illegible]6	8,040
Capitalization	$ 93.0	$ 21.6	$ .8	$ 95.4	$ 26.6	$ 96.1	$ 120.2	$ 97.0	$ 39.9
Total Surplus	$ 143.2	$ 138.3	$ 31.8	$ 89.3	$ 44.8	$ 55.2	$ 140.1	$ 39.3	$ 249.1
INCOME ACCOUNT: Year Ended	11/30/59	12/31/59	12/31/59	10/31/59	10/31/59	12/31/59	12/31/59	12/31/59	12/31/59
Net Sales	$ 323.6	$ 290.6	$ 39.4	$ 263.4	$ 76.2	$ 221.0	$ 337.5	$ 100.6	$ 301.0
Depreciation, Depletion, Amort., etc.	$ 11.9	$ 10.9	$ 1.3	$ 6.6	$ 2.8	$ 8.0	$ 16.7	$ 12.9	$ 8.3
Income Taxes	$ 23.7	$ 20.5	$ 4.1	$ 9.3	$ 4.0	$ 10.1	$ 21.8	$ 4.5	$ 43.3
Interest Charges, etc.	$ 2.0	—	—	$ 2.4	$ .9	$ .9	—	$ 1.5	—
Balance for Common	$ 22.9	$ 19.2	$ 4.8	$ 7.4	$ 3.8	$ 13.2	$ 31.6	$ 9.4	$ 45.8
Operating Margin	16.4%	13.3%	21.6%	6.6%	10.6%	12.7%	16.6%	11.6%	28.7%
Net Profit Margin	7.4%	6.6%	12.2%	3.1%	5.4%	6.4%	8.3%	9.3%	15.3%
% Earned on Invested Capital	12.4%	12.0%	14.7%	6.4%	8.1%	10.6%	12.2%	8.9%	16.0%
Earned Per Common Share	$ 2 03	$ 3.69	$ 2.40	$ 3.62	$ 3.77	$ 2.61	$ 3.74	$ 2.88	$ 5.70
Cash Earnings Per Share	$ 2.47	$ 5.96	$ 3.06	$ 7.32	$ 6.78	$ 4.41	$ 5.71	$ 5.00	$ 6.80
BALANCE SHEET: Fiscal Year Ended	11/30/59	12/31/59	12/31/59	10/31/59	10/31/59	12/31/59	12/31/59	12/31/59	12/31/59
Cash and Marketable Securities	$ 19.1	$ 12.6	$ 2.1	$ 36.0	$ 8.7	$ 13.3	$ 58.5	$ 5.5	$ 92.4
Inventories, Net	$ 56.9	$ 38.7	$ 4.0	$ 59.6	$ 7.9	$ 28.1	$ 41.7	$ 16.1	$ 25.9
Receivables, Net	$ 46.3	$ 25.5	$ 5.5	$ 60.7	$ 11.0	$ 26.6	$ 54.2	$ 4.6	$ 36.1
Current Assets	$ 123.8	$ 78.0	$ 11.7	$ 156.4	$ 27.7	$ 68.2	$ 154.5	$ 27.3	$ 154.5
Current Liabilities	$ 51.5	$ 25.6	$ 6.2	$ 42.6	$ 7.6	$ 26.3	$ 56.3	$ 10.9	$ 40.6
Working Capital	$ 72.3	$ 52.4	$ 5.5	$ 113.8	$ 20.1	$ 41.9	$ 98.2	$ 16.4	$ 113.9
Current Ratio (C. A to C. L.)	2.4	3.0	1.9	3.6	3.6	2.5	2.7	2.5	3.8
Fixed Assets, Net	$ 135.2	$ 103.7	$ 19.3	$ 62.3	$ 51.0	$ 99.6	$ 158.5	$ 128.4	$ 168.2
Totals Assets	$ 287.8	$ 189.2	$ 38.9	$ 233.4	$ 80.6	$ 178.9	$ 326.2	$ 156.1	$ 329.7
Cash Assets Per Common Share	$ 1.31	$ 2.41	$ 1.09	$ 16.70	$ 8.49	$ 2.64	$ 6.94	$ 1.32	11.49
Inventories as Percent of Sales	17.8%	13.3%	10.1%	22.6%	10.4%	12.7%	11.0%	16.0%	8.6%
Inventories as % of Current Assets	45.9%	49.6%	34.2%	38.1%	28.6%	41.1%	26.9%	59.1%	16.7%

1—Includes 3,217,720 class "B" common shares.

availability of a mortgage)—may become a common tendency of mortgage lenders in the near future, if money rates continue to favor investments other than mortgages. This would add another obstacle to be overcome before a home builder could start work.

While it is true that Congress is attempting to ease the mortgage situation, there is little likelihood that any truly constructive measure will be forthcoming in 1960 because of political considerations inherent in a Presidential election year. A recently introduced proposal to give the (Fannie-Mae) Federal National Mortgage Association $1 billion to purchase F.H. A. and V. A. mortgages is likely to be vetoed by the President, and the rate increase on F. H. A. mortgages legislated by Congress last year was insufficient to render them an attractive investment media in the currently existing money market. Politically speaking, any costly proposals to halt the building downturn legislated by a Democratic controlled Congress will run up against the opposition of a budget-minded Administration via the Presidential veto.

Industrial and Commercial Construction

The commercial and *industrial building category will probably reach the $10.0 billion level in 1960 (about 18% of total construction) as compared to $8.6 billion in 1959, an increase of nearly 19%.*

The commercial segment of this division should continue its upward trend in 1960. This segment includes office buildings and warehouses, stores, restaurants and garages. Office building and warehouses declined in 1959 (to $1.9 billion) but should show marked improvement and approximate $2.3 billion in 1960. Accounting for the gain in this category is the fact that a number of the large office building projects started in 1959 will contribute more heavily to construction activity this year. This also applies to the stores, restaurants and garage category for which the dollar volume is practically identical with that of the office building and warehouse group in both 1959 and 1960.

Industry, requiring more space for expanded research and development programs, together with its need for more efficient production facilities to effectively compete in today's ever-changing markets, *is expected to increase its plant construction programs.* Accordingly, the industrial segment of the construction market which reached its peak of $3.5 billion in 1959 and has been declining since then, should bounce back in 1960 to a level of about $2.4 billion.

Educational-Institutional Construction

Educational, recreational, religious, institutional and hospital construction which reached a level of around $2.8 billion in 1959, may rise to around $3.3 billion in 1960. Higher incomes will influence greater spending activity for recreational, private school and social buildings while increased Federal aid should stimulate hospital construction. The erection of religious buildings may well exceed the billion-dollar level in 1960.

Building and Agriculture

Farm construction in 1960 may drop significantly if the publicized decline in farm income materializes. The estimated level for 1960 is about $1.5 billion which compares with roughly $1.7 billion in 1959. Secretary of Agriculture Benson has recently sounded a more optimistic note in relation to farm income this year, which might result in some improvement over this 1960 estimate.

Public Utility Construction

Building by utility companies in 1960 will, in all likelihood, be up slightly over its 1959 level of nearly $5.2 billion and should approximate $5.4 billion this year. This rise will be the result of *higher outlays for gas and telephone facilities* since electric utility construction is expected to be off somewhat from prior year.

Public Works

Total public construction in 1959 was at a $16.2 billion level (about 30% of total construction) and is expected to reach approximately $16.5 billion this year. The debt limits of many states and communities will force them to exercise greater realism in appropriating funds for public construction than they did in earlier years. On the other hand, direct federal spending for construction of military, conservation, atomic energy and numerous other categories will, in all likelihood, remain at about their present levels.

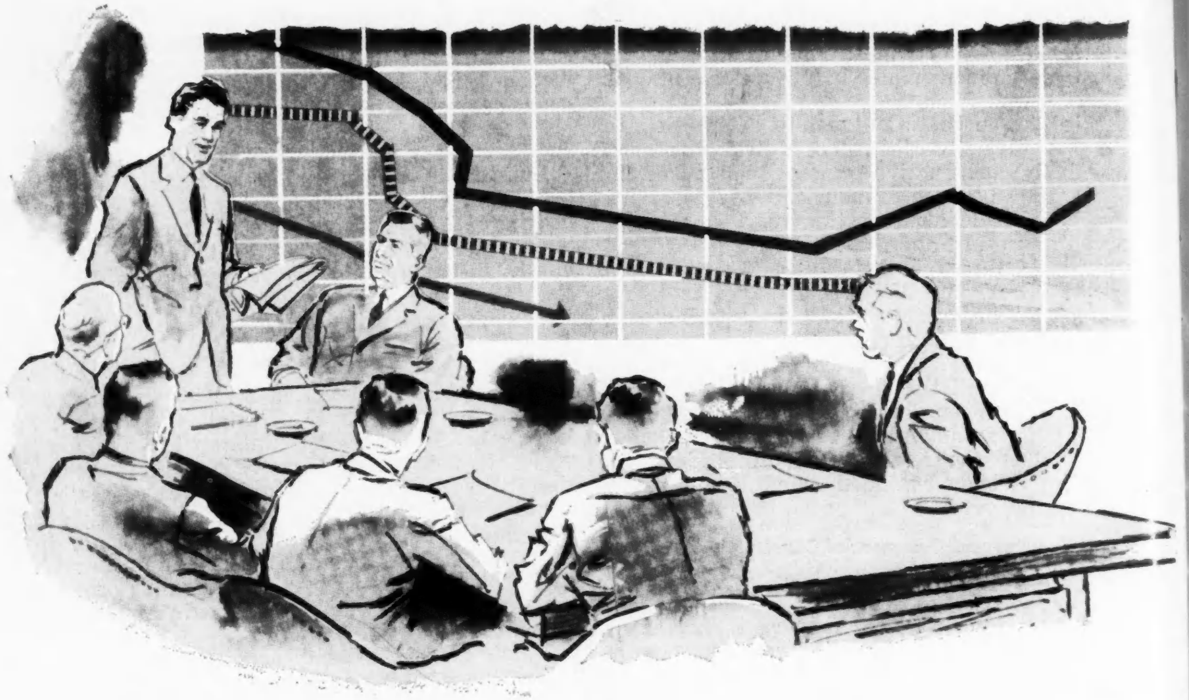
Public housing expenditures are expected to drop below the $1 billion level they reached last year and will probably run about $900 million in 1960, which is still higher than the 846 million expended in 1958. The increase in 1959 over 1958 has been attributed largely to military housing needs, which projects were completed in 1959.

While credit restrictions are likely to hamper local government financing in some areas, there is almost certain to be an increase in school construction in order to meet the sharp increase in the number of school age members of our population. Approximately $2.8 billion will be spent in this area this year — an increase of about $75 million.

The Highway Program Slowdown

The most important division of public projects is highway construction which accounts for more than one-third of all public works spending. *Present indications point to a drop in road building expenditures this year. Highway construction will probably decline at least $100 million this year from the level of $5.8 billion expected to be reported when all the figures are in for 1959.* In 1958, highway construction totaled $5.5 billion. A decrease in 1960 would be the first drop in federal highway construction in the post-war period.

The importance of the highway program cannot be ignored and it seems reasonable to assume that Congress will enact any necessary legislation to keep highway construction expenditures close to the $7 billion goal scheduled by the Bureau of Public Roads in earlier forecasts. Because preliminary engineering costs and right of way acquisitions are costly, and consumed a large portion of total highway outlays during the 1957-59 period, the amount of money going into actual materials, equipment and labor in 1960-62 should be greater proportionately. *(Please turn to page 698)*



COMPARISON of INVESTMENT VALUES in 14 MAJOR FINANCE COMPANIES

By STEPHAN L. RAYMOND

- **Which have best earnings-dividend outlook under shifts in demand for installment credit—higher interest rates**
- **Where diversification of companies into factoring—insurance—and other activities—is contributing to maintenance and expansion of earnings**

A record $6.5 billion dollars—that represents nearly $100 for each employed worker in the United States—was added to consumer credit totals during 1959!

With the economy rebounding from the business downturn in 1958, the *consumer again* showed his willingness to incur debt. This willingness, together with obliging financing agents, *has served to expand consumer credit totals ninefold over the post World War II years.* At the close of 1959, an all-time high of over $52 billion in outstanding consumer credit was recorded.

Installment credit, which currently makes up about three-fourths of consumer credit has shown even more impressive growth from a war-restricted $2½ billion in 1945 to $39½ billion at 1959 year end. In recent years, over two-thirds of installment credit has been used for the purchase of consumer hard goods—new and used automobiles, furniture and major household appliances. Personal loans have accounted for some one-fourth with home modernization and repair loans the remainder.

The extent to which the use of installment credit has enabled the consumer to bolster his standard of living to its present level—the envy of the world—is not definable.

74% of American Families Have Cars—60 to 65% Buy Them On Time

It is a fact, however, that between 60-65% of all new cars are sold on a time-credit basis; used car sales are estimated to run even higher. In any event, perhaps consumer financing should be given its due when it is noted that 74% of American families now own one or more automobiles, whereas in 1950 only 60% of our families could boast of owning an auto.

Home Appliance Market Nearing Salvation

Automobiles are not the only criterion of well-being: for example, the percentage of homes having television sets has risen from 26% in 1950 to 90% last year; vacuum cleaners from 57% to 73%; refrigerators 86% to 98%.

—And Still Mounting

A further jump in installment credit is foreseen for this year. Aided by an industry-predicted, 7

million auto sales year, gains in outstandings will match those recorded in 1959. Looking into the future, respected economists, such as Alan S. Jeffrey, American Finance Conference, are predicting a doubling of installment credit over the coming decade. Rising incomes, expanding populations and family formation are basic in these predictions: also the growing proportions of younger families in the country. These families are the best customers for major durables and the ones most frequently in need of credit to acquire them.

Has ever-increasing consumer credit totals placed too great a burden on the consumer—on the economy itself? Consumer credit currently represents 15½% of Disposable Income, a sharp gain over the 9% plus relationship a decade ago. On the other hand, *present consumer credit totals represent personal savings of only slightly more than two years at current annual rates*—personal incomes are expanding—the consumer has had successful experience with credit and has proven to be a good risk.

With the historical growth in consumer credit, outstripping our economy as a whole and strong growth expected in the future—how does this relate itself to the financing agents—the money merchandizers who extend the credit? Perhaps more to the point, how is this translated into investment opportunity?

Several characteristic factors stand out in bold relief when an inspection is made of the finance companies themselves: 1. *Growth*, 2. *Competition*, 3. *Diversification*, 4. *Insurance*, 5. *Money Costs.*

1. *Growth* is an obvious corollary to the overall expansion in installment credit seen over the past years. For example, **Associates Investment's** outstandings have trebled since 1950; **Pacific Finance Company's** outstanding receivables are 3¾ times 1950 levels.

2. *Competition* has arisen from within and without the industry. New finance companies have come along to compete locally with the established firms. The re-entry of **Ford Motor Company** into the finance field—and the possibility that **Chrysler** may soon follow—promises a more nationwide competitive element. *Commercial banks,* long a strong factor in the sales finance field, have only recently begun to actively solicit personal loans through check charge plans and credit card plans. *Credit Unions* continue to prosper and gain a larger share of installment credit. Heightened competition for the consumer debt dollar is in prospect.

3. *Diversification* has taken the form of engaging in new and different forms of financing, such as the extension of credit towards the purchase of pleasure craft, mobile homes and construction equipment, or such as **Beneficial's** "fly now-pay later" plans offered in conjunction with major air carriers. Diversification outside of financing has also been in evidence—**C. I. T.** acquiring Picker X-Ray Company in 1958.

4. *Insurance* activities have provided a major source of profits to many of the finance companies. Some 35% of **Commercial Credit's** net income can be attributed to insurance operations in 1959; over 40% of **General Finance's** earnings can be similarly explained, for example.

The profit potentials of subsidiary credit life insurance companies will be restricted in the coming years by the imposition of additional income taxes as the result of the Life Insurance Tax Bill of 1958.

However, insurance—fire, casualty and life—should continue to contribute importantly to overall results in the coming years. Some broadening of insurance activities has been seen. The further development of accident and health lines as well as ordinary life policies could be an interesting future earnings factor to the diversified finance company.

6. *Money costs* have proven to be the negative side to the strong growth trend in receivables experienced by the companies. Operating costs in general and costs of monies employed in particular have served to restrict the profitability of the growing volume of receivables acquired. Some of this added cost of doing business, of course, may be "passed on" to the customer. Raising loaning rates to compensate for higher costs cannot be done rapidly. Competition is a limiting factor. Additionally, new rate schedules are usually placed in effect only as business comes in. As a result, a time lag occurs before the higher rate begins to make an impression on earnings. Higher money costs are more immediate, especially in their impact upon short term

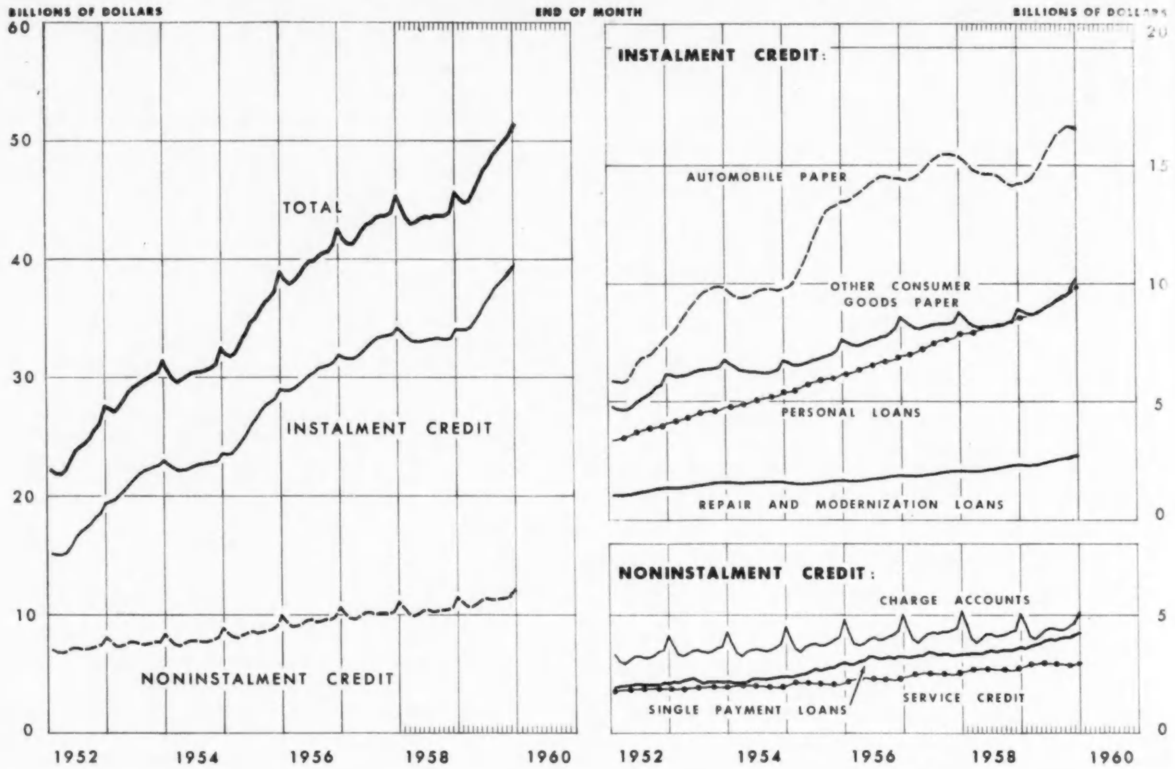
Statistical Data on Finance Companies

	1957		1958		1959				
	Earnings Per Share	Div. Per Share	Earnings Per Share	Div. Per Share	Earnings Per Share	Current Dividend *	Price Range 1959-60	Recent Price	Div. Yield
American Investment Co. (Ill.)	$1.40	$1.00	$1.20	$1.00	$1.25[4]	$1.00	20⅜-17¼	18	5.5%
Associates Investment Co.	6.11	2.60	5.09	2.60	5.05	2.60	88¾-55¾	59	4.4
Beneficial Finance Co.	1.91	1.00[3]	2.07	1.00	2.20[4]	1.00[3]	28⅛-22⅜	23	4.3
C. I. T. Financial Corp.	4.27	2.40	4.31	2.40	4.57	2.60	64⅞-46⅝	52	5.0
Commercial Credit Co.	5.33	2.80	5.29	2.80	5.48	2.80	67¾-54¾	58	4.8
Family Finance Corp.	2.39[1]	1.52½	2.22[1]	1.60	2.32[1]	1.60	35 -27½	29	5.5
General Acceptance Corp.	1.48	1.00	1.13	1.00	1.40[4]	1.00	19¼-17⅛	17½	5.7
General Contract Finance Corp.	.53	—	.56	—	.66	.40	9⅜- 7½	8	5.0
General Finance Corp.	2.31	.90	2.48	1.05	2.75[4]	1.20	40 -30¾	33	3.6
Heller (Walter E.) & Co.	2.24	1.15	2.39	1.20	2.74	1.40	43¾-27¼	40	3.5
Household Finance Corp.	2.88	1.20[3]	2.53	1.20[3]	2.15[4]	1.20	37¼-26¼	29	4.1
Pacific Finance Corp. (Calif.)	4.84	2.30	4.89	2.40	4.77	2.60	67¼-51½	55	4.7
Seaboard Finance Co.	1.41[2]	1.00	1.41[2]	1.00[3]	1.47[2]	1.00[3]	29½-20¼	21	4.7
Talcott (James), Inc.	2.38	1.20	2.64	1.23[3]	3.16	1.60	50¾-29	48	3.3

*—Based on latest dividend rate.
1—Years ended June 30.
2—Years ended Sept. 30.
3—Plus stock.
4—Estimated.

SHORT- AND INTERMEDIATE-TERM CONSUMER CREDIT OUTSTANDING

FEDERAL RESERVE ESTIMATES



borrowing. The sharp rise in short term money rates during 1959—unequalled in the recent past—was particularly burdensome as the companies were expanding volume considerably.

The Individual Finance Companies

The shares of the major sales finance and consumer finance companies have had a relatively poor performance over the past year in spite of record volume of business being done. The industrial financing companies, **Walter E. Heller** and **James Talcott,** on the other hand, have enjoyed a good year from all points of view.

Generally speaking, the stocks of the sales and consumer finance companies are near 1959/60 lows. Declines in price from highs of last year range from a 33% drop registered by Associated Investment to less than 10% in the case of General Acceptance. On balance, these stocks are off about 15-20% from last year's high prices.

Money Rates and Earnings

The softness in security prices generally has contributed, of course, to this showing. The question arises as to the possibility that too great a significance has been given these unfavorable factors. While it is hazardous to predict the level of money rates, it is difficult to see such a sharp rise, as was seen last year, occuring again in the near future. The worst may well be over in this respect and rate adjustment steps already taken will start to show up in earnings if money rates tend to stabilize. Rate adjustments will undoubtedly continue to be made as conditions permit.

As already discussed, the volume of consumer credit business in the years ahead is expected to expand greatly.

Earnings gains are definitely in prospect for the major finance firms in 1960. Dividend increases are a distinct possibility.

At current price levels, these stocks offer better than average yields and represent relatively reasonable multiples of earnings. Shares of the larger, well-diversified finance companies would seem to warrant more investor confidence than they have been given recently.

Following are brief discussions covering the present position and the near term outlook for the major finance companies.

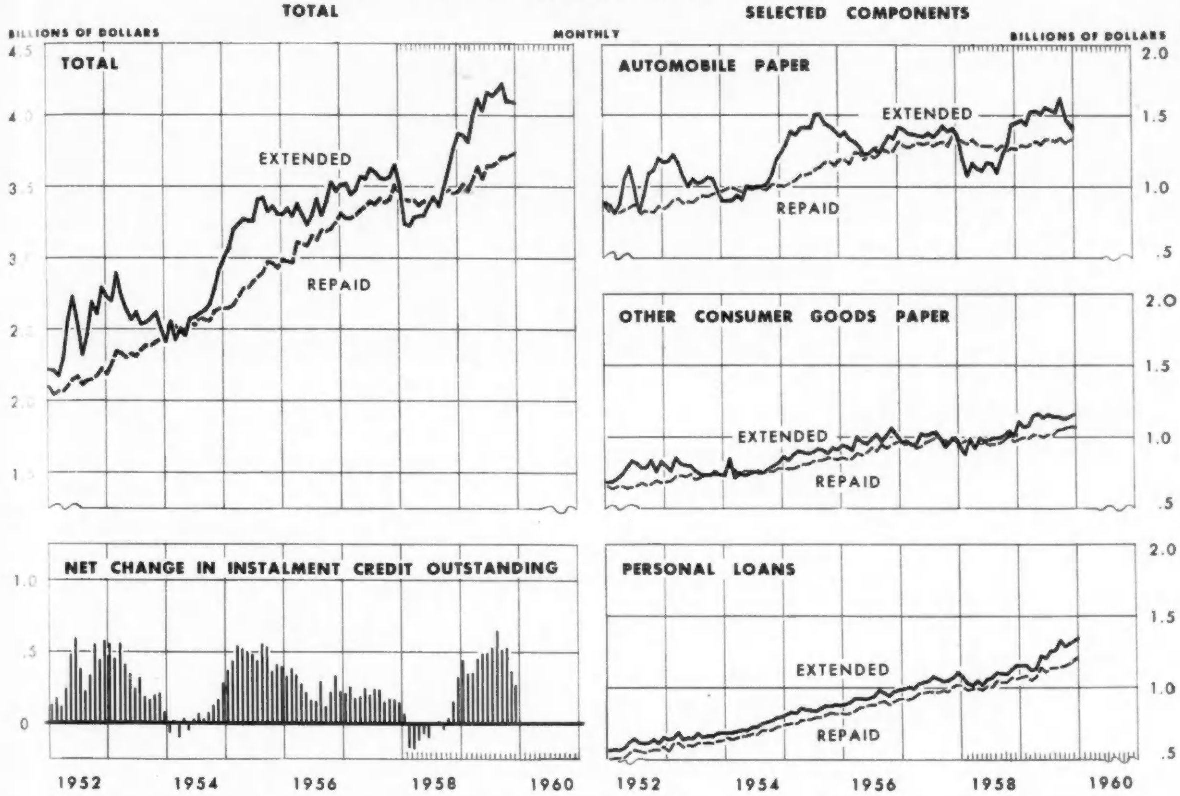
Although volume has grown nicely, **American Investment Company of Illinois** has shown a flat earnings performance in recent years, but may show improvement this year.

The third largest independent finance company, **Associates Investment Company,** reported a modest decline in earnings last year from $5.09 to $5.05 per share. Volume, which has shown good growth over the past decade gained over 32% in 1959. Earnings are expected to start upward this year.

The second largest small loan company, **Beneficial Finance Company,** should show further gains in per share earnings in 1960. Diversification into installment sales and airline credit plans are expected to aid earnings in the near future.

CONSUMER INSTALMENT CREDIT EXTENDED AND REPAID

FEDERAL RESERVE ESTIMATES, ADJUSTED FOR SEASONAL VARIATION



In each year since 1951, **C. I. T. Financial Corporation** has reported improved earnings. This trend was continued in 1959 as this largest independent sales finance company reported all time high earnings. Per share results rose to $4.57 from $4.31 in 1958. Receivables outstanding at year end totalled in excess of $2 billion at the close of 1959. Deferred income (a primary determinant of future earnings) was the highest ever reported by the company—$208 million. Dividends represent a conservative 57% of earnings.

Per share earnings for **Commercial Credit Company** rose to $5.48 in 1959 over $5.29 of a year earlier. Earnings from finance operations declined modestly, mainly as a result of the higher costs of borrowed funds. However, this was more than offset by increased earnings from the company's extensive insurance (up 23%) and manufacturing (up 30%) activities. Year-end "outstandings" are up a smart 28% over 1958 levels. The $2.80 annual dividend, represents a payout of only 51%.

A strong expansion program has been undertaken by **Family Finance Corporation** over the past few years. The company's record has not been inspiring although the digestion of expansion may provide for moderate earnings growth. The $1.60 annual dividend provides a satisfactory yield.

General Acceptance Corporation was originally based principally in the eastern parts of the country. However, operations have been extended to include the South and West. About a half of receivables are in the profitable small loan field. The $1.00 dividend affords a good return which would seem to be the major attraction here.

General Finance Corporation operates about equally in the small loan and installment financing fields. Insurance activities are very important, contributing some 40% to earnings. Good earnings gains again this year seem in prospect.

Walter E. Heller & Company, an important factor in the industrial financing field, has shown a good growth trend in recent years. Per share earnings have more than tripled over the past decade. Dividend payments have followed this strong uptrend. Earnings in 1959 again were a new high. Prospects favor a further gain in 1960.

Household Finance Corporation, the largest company in the small loan area, has had one of the better records in that group. Candian operations are important and account for about 30% of over-all business. After a steady trend upward since the end of World War II, earnings declined in 1958 and 1959 but a renewal of the uptrend is in prospect.

Operating principally in the faster growing areas of the country, **Pacific Finance Corporation's** over-all record has been favorable although earnings, last year, declined slightly, to $4.77 per share, from $4.89 the previous year. Insurance operations have been profitable and, in fact, contributed over one-third to over-all results in 1959 as compared with about 10% only four years ago. In the finance area, year end receivables gained 26%. Prospects are among the most favorable in the sales finance group. During the year, Pacific *(Please turn to page 698)*

The OLD "5 & 10c" STORES
(Now Variety Chains)
Sharpen Competitive Clash with DEPARTMENT STORES

By EDWIN CAREY

- **The gradual transition to a wide range of general merchandise is now in full swing . . . imagine buying in a "Five & Ten" — skis selling from $20 to $40!**
- **Opening of big suburban units — junior department stores — and wide credit facilities**
- **Earnings-dividend picture and prospects for the individual companies point to the pace-setters — the runners-up — and the slow-movers**

FOR years the variety chains have lagged sadly behind department stores as rising costs have held back earnings despite sales growth. But expansion of variety chains into suburban shopping centers has not only stimulated sales, but in the more efficient stores is helping earnings, for the "five and tens" are borrowing the techniques of the department stores, and the economic climate is good for a further test of their efforts in 1960.

Consumer income is estimated at $402 billion in 1960, 5.8% above 1959 which follows a similar rise over 1958. Retail sales should gain 6% to 7% in 1960, a continuation of the favorable trend in 1959.

Variety chains showed an estimated 7.4% sales gain in 1959, slightly behind the 8.6% registered by department stores. However eyebrows were lifted around Wall Street when several chains in the past few weeks reported sizable 1959 earnings' increases, outperforming some department store favorites, for the dime stores have rarely enjoyed much popularity, except for dividend yield.

During the first half of the fifties variety stores were content to remain in the cities, while their cousins, the department stores continued a strong movement to the suburbs that began in the forties. However it was not long before rising costs of operating city stores forced the "five & dimes" to join the trek. Their late start in moving to the suburbs enabled supermarkets and large drug chains to stock much of their better selling merchandise. But even so, variety chains seem to be overtaking competitors. Two important discoveries were made:

(1) large numbers of shopping centers, springing up in the suburbs, were in need of credit to build stores and parking areas. Thus they welcomed as tenants, the well-established and financed variety chains. (2) Once in the suburbs, chain managers found that big ticket merchandise sold well, providing good profit margins.

Thus a willingness to open new stores is a most important clue to the future earning power of variety chains. Those that have been more aggressive in this respect have significantly increased their selling area, since the new stores are about 50% larger than the ones opened five years ago.

Woolworth's sales and earnings gains in 1959 and its prospects for further improvement in 1960 are a direct result of new store openings. **W. T. Grant,** one of the first to gravitate to the suburbs, has as a result, shown the best sales trend of the leading variety chains, although Grant's new stores look more like junior department stores. Many of the other chains that have shown little or no upward earnings trend during the 50's are beginning to benefit from new stores, and investment attitude toward them may change as the results are reflected in earnings. A strong financial position has immeasurably helped this trend.

More Stores to Come

Of the 600 new variety stores opened in 1959 about two thirds were opened in the suburbs, a slightly higher ratio than in 1958 when 500 new stores were opened. On an overall basis the number of variety stores operated in shopping centers has increased 65% in just four years to an estimated 2,650 units at the end of 1959, but this is only about 21% of the total, including regional chains. It is thus felt that the increase in suburban stores will continue at a good rate during the next five to seven years—although in some areas, the number of stores may pass the point of diminishing returns.

Self-Service Stores

Again the "five & tens" were slow to adopt a new method, but now are making up for lost time. Oddly enough Sprouse-Reitz Co., a regional chain that operates around Los Angeles, put in self-service with check-out counters, such as used by supermarkets, as early as 1935, but few others were interested in trying the idea: In 1952 Woolworth converted its New York 14th Street store into self-service and several others followed shortly thereafter. The following from a Harvard Business School survey shows the dramatic increase of self-service, once started.

	Number of self-service stores	*Self service as a % of stores polled*
1954	403	9.3%
1955	707	16.0
1956	1,076	24.1
1957	1,514	33.5

The survey, which covered 9 major chains, was made in 1958. Today, approximately 5,200 self service stores are in operation, about 40% of all major national and regional chain stores—and before too long, virtually all stores are likely to operate on self service.

This trend is a much needed cost saver as far as selling personnel are concerned; furthermore it increases the amount of merchandise on display by use of back-to-back racks and shelves. The ratio of stock room space to selling space has also been reduced in these more efficient stores by central warehousing and close inventory control.

Buy Now – Pay Later

The founding fathers of the "five & ten" who resisted so staunchly the introduction of the 25¢ item, would be shocked indeed to see water skis priced from $19.98 to $39.98 and fishing rods that run up to $49.50. Some stores even sell a wide range of furniture and appliances that top the $100 bracket!

Realizing that department stores sell these items on credit, so must the "dime store" to be competitive. **Kresge** recently introduced the "thrifty charge plan" to help its sales of power tools, power lawn mowers, furniture, and hi-fi sets. Customers who carry the handy charge plate may pay their bill in 30 days or choose the credit plan that entails a service charge of 1½% per month, the time for full payment depending upon the item purchased.

Woolworth's Cleveland District has been experimenting with credit and recently, bold headlines have appeared in the Cleveland newspapers backing up the plan with "Now You Can Charge it At Woolworth's."

Department stores are still well ahead of variety stores in use of credit, but the latter has at least gotten the jump on supermarkets in this respect, although one major food chain is now testing credit in the New York area!

The Individual Chain Stores

J. C. Penney is a good example of a department store chain now experimenting with credit terms. In many ways Penney competes with the variety chains, especially those expanding in soft goods and apparel lines. Only about 5% of Penney's sales are in the durable goods category.

However the new credit plan may change this, since it is a valuable tool in selling appliances.

Until 1958, Penney was one of the holdouts in the use of credit by department stores. (James Cash Penney, who opened the first Penney store in Kemmerer, Wyo. in 1902, and at 84 continues as a director, still lives up to his middle name, believing in cash on the barrel head when the sale is made, not later.) President W. M. Batten, however, says "others use credit successfully and so should Penney." With 193 stores operating under the credit plan in January 1960, Mr. Batten said that the results are a little too good to believe, that no details should be given because the sample is too small.

The conversion to credit operation of 410 more stores will bring the total to 600, or 35.7% of all Penney units. By 1963 all stores should be under the plan, and some analysts feel that it would lift Penney's sales as much as 20%, not out of line with the experience of some others who have switched to credit.

Penney does not expect to make a profit on the credit operation itself, but regards the plan as a selling tool. However it would seem strange if at the 1½% per month charge on unpaid balances, or 18% on an annual basis, profits were not forthcom-

ing, as receivables are built to a high level.

The job of educating sales people in credit selling is time consuming. Financing the expanding credit is also a problem, but Mr. Batten feels that equity financing is not likely to result, as the company has an ample credit line to carry the program.

Over the last five years, J. C. Penney has added 104 new stores. It closed 87, making a net increase of only 17. Since the new stores are far larger than those closed, a total of six million square feet of selling space was added, an increase of about 25%.

Penney showed a sales increase of about 6.6% for the year just ended to an estimated $1,410 million. It appears that earnings per share may have reached $6.50 on 8.2 million shares, up 14.2% from $5.69 reported last year. A further gain to $7.00 or better seems in prospect for the current fiscal year, and management's action to split the stock 3 for 1 and increase the dividend speaks well for a continued favorable earnings trend, in this particular case. Some improvement has already been discounted by the relatively high earnings multiple of 22.6 times the 1959 estimated net per share.

F. W. Woolworth by far the largest variety chain, Woolworth rang up sales of $916.8 million from its 2,221 stores and is shooting for the billion dollar mark in 1960. Margins widened as net per share of $4.03 on 9.7 million shares rose 20.5% from last year's level while sales increased 6%. A further improvement in profit margins is expected in 1960 with bigger suburban stores and wider use of self-service. (Of the 2,221 stores 1,233 were on self-service at the end of 1959.)

Foreign operations were aggressively expanded as well as those on the domestic scene. The 53% owned British subsidiary, which operates 1,012 stores, is carried on the balance sheet as an investment of only $30.9 million. The dividend income from this conservatively stated investment was $13.8 million, and the market value, based on London Stock exchange quotations was $681 million at the end of January 1960. The German subsidiary carried on the balance sheet as a $3.3 million investment, paid $2.3 million in dividends, last year alone, up from $627,000 the previous year. The company had to start from scratch at war end and expects to own 100 stores by the end of 1960.

However the company's domestic business is the more important. Nothing will help the stock more than continued growth in earnings, and this seems likely for the next two to four years, given a continued rise in consumer disposable income.

W. T. Grant has moved the farthest from the conventional five & ten cent store concept, and its new junior department stores are established in many suburban shopping centers. Credit selling is being expanded and big-ticket items are sold through merchandise catalogues, putting the company in the field of Montgomery Ward and Sears Roebuck.

Continued high expenses of opening new stores in 1960 will be offset by a rising profit contribution from new stores now in operation and also by credit and catalog sales. The common stock seems reasonably priced at 11.4 times recently reported earnings of $4.11 vs $3.71 last year. On April 26 stockholders will vote to split the stock two-for-one and increase the dividend to 60¢ quarterly from 55¢ currently paid on the present shares.

S. S. Kresge, the third largest variety chain, with sales slightly over $400 million, showed a slight drop in earnings to $2.30 from $2.50 a year ago. A late comer to the trend of expanding to the suburbs, it is trying to make up for lost time by opening large stores in growing areas.

S. H. Kress, under new management, after showing a declining earnings trend and a flat or declining sales trend since 1951, will add about 25 shopping center stores in 1960. However, gains on sale of real estate in the year just ended are needed to equal the $2.03 net re- *(Please turn to page 692)*

Leading Variety Store Chains

	1958			1959						
	Net Sales —(Mil.)—	Earnings Per Share	Div. Per Share	Net Sales —(Mil.)—	Earnings Per Share	Current Annual Div.*	Recent Price	Div. Yield	Price Range 1959-60	Ratings
Butler Bros. †	$165.6	$2.95	$1.80	$196.6[2]	$3.25[1]	$1.80†	—	—	— —	—
Grant, W. T.	432.2	3.71	2.00	478.2[2]	4.11	2.00	49	4.0%	50 -38⅛	A1
Green H. L.	133.3	1.23	2.00	133.3[3]	.90[1]	1.00[4]	29	3.4	47½-23	C2
Kresge, S. S.	384.3	2.50	1.60	404.9	2.30	1.60	31	7.4	35 -30⅛	B3
Kress, S. H.	159.3	2.03	2.00	154.4[2]	2.25[1]	1.00	24	9.3	43¼-23⅞	C3
McCrory-McLellan Stores Corp.	109.7	1.06	.80	171.5	1.22	.80	13	6.1	19¾-13	B2
Murphy (G. C.) Co.	208.9	3.50	2.12	238.8	4.44	2.30	52	4.4	52 -43¾	B1
Neisner Bros.	67.0	.44	.80	69.7[2]	.80	.80	14	5.7	15 -12	B1
Newberry (J. J.) Co.	221.8	3.12	2.00	238.0[2]	3.50[1]	2.00	39	5.1	43⅜-36¾	B1
Penney (J. C.) Co. **	1,409.9[1]	5.69	4.25	1,345.1[5]	6.35[1]	4.50	113	3.9	131½-98½	A1
Woolworth (F. W.)	864.5	3.34	2.50	916.8	4.03	2.50	63	3.9	67½-53½	A1

*—Based on latest dividend rates.
**—3 for 1 stock split, subject to approval 5/26/1960.
†—City Products Corp. acquired Butler Bros. 2/11/1960; under name of B.T.L. Corp.

[1]—Estimated.
[2]—12 months to Dec. 31, 1959.
[3]—12 months to Jan. 31, 1960.
[4]—Plus stock.
[5]—Eleven mos. through 12/31/59.

Ratings: A—Best grade.
B—Good grade.
C—Speculative.
D—Unattractive.

1—Improved earnings record.
2—Sustained earning record.
3—Lower earnings record.

Change in Earning Trends for FOOD PROCESSORS and MERCHANDISERS

By WILLIAM HEYWOOD WHITE

- **Glut of foodstuffs brings lower prices—reduced net**
- **Processors meeting sharpening competition at home—where successful operations abroad are building earnings**
- **Merchandisers—Grocery Chains—show different picture . . . continuing expansion and modernization**
- **Where diversification into non-foods is widening gross margins—where chains are forging ahead—where store saturation exists**
- **Reappraisal of varying 1960 earnings—dividend outlook for the individual companies**

COMPANIES engaged in food processing are finding the going more difficult than in several years. This has not been particularly noticed by the public as yet, because profits of most food companies are still on the rise. But the evidence is available, for those who look, in the growing number of companies which reported lower profits in 1959, and in those companies whose gains were smaller than in previous years. Last year, ten of the twenty-six food manufacturers covered in this review suffered dips in profits, compared with only four in 1958. Of the sixteen gains experienced in 1959, three were negligible in size, amounting to less than 5¢ a share.

The **principal cause of lower profits** in the food trade has been the downward trend of food prices. Although demand for food has been well maintained, it is the supply side of the equation that has thrown the ratio out of balance. The nation's farms have produced fruits, grains, vegetables, poultry and livestock in such abundance that the national market has been able to absorb them only at reduced prices. In the previous year, the only group of consumer prices that has been consistently below the figure of the preceding twelve months has been foods.

A **secondary cause of reduced net income** has been the increasing competition in food processing stemming from the expansion programs of the last five or six years. Additions to facilities were highly

Statistical Data on Food Processors

	1958 Net Sales —(Mil.)—	1958 Net Profit Margin	1958 Net Earnings Per Share	1958 Div. Share	1959 Net Sales —(Mil.)—	1959 Net Profit Margins	1959 Net Earnings Per Share	Current Div. *	Recent Price	Price Range 1959-60	Div. Yield	Ratings
Allied Mills	$ 97.9[1]	3.1%	$3.86[1]	$2.25	$112.8[1]	2.6%	$3.71[1]	$2.25	35	44⅞-34¾	6.4%	B3
Beatrice Foods	292.4[2]	1.7	1.63[2]	1.80	335.6[2]	1.7	1.72[2]	1.80[8]	48	55⅞-44	3.7	A1
Beech-Nut Life Savers	N.A.	N.A.	1.72[2]	1.55	N.A.	N.A.	1.73[2]	1.60	33	43¾-32⅝	4.8	A1
Borden Co.	915.0	2.6	5.06	1.40[8]	941.3	2.7	5.21	1.50	44	44½-40¼	3.4	A1
California Packing	165.9[3]	2.6	.88[3]	1.10[8]	161.8[3]	4.0	1.32[3]	1.15	28	32¾-29½	4.1	B1
Campbell Soup	501.3[4]	6.2	2.95[4]	1.50	496.5[4]	6.9	3.21[4]	1.80	50	55⅝-46¼	3.6	A1
Consolidated Foods	155.8[5]	1.4	.80[5]	1.00[8]	191.4[5]	1.6	.98[5]	1.00	27	29⅞-22¼	3.7	B1
Corn Products Co.	353.7[2]	5.8	1.92[2]	1.75	363.8[2]	5.9	1.97[2]	2.00	50	59⅞-48½	4.0	A1
Foremost Dairies	312.6[2]	2.3	.99[2]	1.00	330.2[2]	2.3	.99[2]	1.00	19	21¾-18	5.2	B2
General Foods	762.7[2]	4.8	3.03[2]	2.20	778.6[2]	5.5	3.54[2]	2.60	105	107¾-74¼	2.4	A1
General Mills	274.2[6]	2.7	1.05[6]	1.00	265.9[6]	1.6	.54[6]	1.20	29	37⅝-26¾	4.1	B3
Gerber Products	93.6[2]	5.9	2.61[2]	1.80	95.9[2]	5.4	2.46[2]	1.80	50	70½-46	3.6	B3
Heinz (H. J.)	156.8[7]	3.3	3.04[7]	2.20	167.4[7]	3.5	3.42[7]	2.20	84	92 -64¾	2.6	A1
Libby McNeill & Libby	140.9[3]	1.8	.54[3]	.40	142.2[3]	1.1	.31[3]	.40	10	13¾- 9¾	4.0	B3
National Biscuit	413.3	5.3	3.18	2.20	428.9	5.7	3.57	2.40	52	56⅛-49⅜	4.6	A1
National Dairy Products	1,090.5[2]	3.0	2.49[2]	1.80	1,118.0[2]	3.1	2.49[2]	2.00	48	53¾-44⅝	4.1	A1
Penick & Ford	N.A.[2]	N.A.	2.41[2]	2.00	N.A.	N.A.	2.14[2]	2.20	47	64⅝-45½	4.6	A3
Pet Milk	134.0[2]	1.8	2.42[2]	1.00	139.2[2]	1.7	2.43[2]	1.20	44	50 -36¼	2.7	B2
Pillsbury Company	179.6[3]	2.3	2.01[3]	1.25	181.6[3]	1.7	1.52[3]	1.40	35	49¾-34	4.0	B3
Quaker Oats	315.5[1]	4.1	3.22[1]	1.85	322.1[1]	4.0	3.29[1]	2.00	44	54½-42	4.5	A1
Standard Brands	519.7	2.8	2.13	1.17	521.7	3.0	2.30	1.50	35	38⅛-34⅞	4.2	A1
Stokely-Van Camp	71.6[6]	2.9	1.00[6]	.60[8]	71.4[6]	1.7	.50[6]	.60	15	22 -14¾	4.0	B3
Sunshine Biscuits	N.A.	N.A.	4.93[2]	4.00	N.A.	N.A.	4.68[2]	4.40	90	106½-86½	4.8	A3
United Biscuit	101.9[2]	1.3	1.16[2]	1.50	103.1[2]	1.3	1.17[2]	.80	26	30½-22⅝	3.0	B2
United Fruit	N.A.	N.A.	2.25[2]	3.00	N.A.	N.A.	1.37[2]	—	25	45¼-23⅛	—	C3
Wesson Oil & Snowdrift	163.5[9]	1.7	1.94[9]	1.40	160.5[9]	2.0	2.30[9]	1.40	34	40½-31¼	4.1	B1

*—Based on latest dividend rate.
1—Years ended June 30.
2—9 months.
3—6 months.
4—Year ended July 31.
5—24 weeks ended Dec. 12.
6—6 months ended Nov. 30.
7—6 months ended Oct. 31.
8—Plus stock.
9—Year ended Aug. 31.

Allied Mills: Weak livestock prices and low farm incomes are keeping leading producer of formula feeds from realizing expected benefits from added facilities. Regular dividend seems safe, but extra payment is in doubt this year.

Beatrice Foods: Upward trend of earnings of major dairy products company continues, aided by diversification and acquisitions.

Beech-Nut Life Savers: Keen competition in baby foods holds gains of second largest company in that field to modest proportions, despite changes in other lines and enlarged promotion budgets. Strong finances suggest possibility of higher dividends.

The Borden Company: Expansion of facilities and acquisitions, some outside the U.S., enabled second largest dairy company to increase earnings in 1959 for fourth year in succession. Another gain in prospect.

California Packing: Sales and earnings of world's largest fruit and vegetable canner probably established new records in fiscal 1960, thanks to new products, in spite of low canned goods prices. Dividend payments likely to be higher for sixth consecutive year.

Campbell Soup: Addition of manufacturing facilities in other countries may accelerate the earnings gains enjoyed by the largest canner of soups and kindred products for seven years. Dividend stability expected. Dorrance estate owns 79% of stock.

Consolidated Foods: Operating earnings of this integrated food processor, wholesaler, and retailer continue to rise, but sharp decline in capital gains reduced reported net income in fiscal 1959. Recently added a chain of retail drug stores.

Corn Products: Low corn prices which have been responsible for much of the earnings gain achieved by the world's leading corn refiner since 1952 still prevail, but the current rate of increase in net income is hardly sufficient to warrant a dividend boost.

Foremost Dairies: Anti-trust charges by Federal Trade Commission have slowed the expansion pace achieved by third largest dairy products concern from 1952 through 1956 largely through acquisitions. Dividend coverage is thin, but finances are strong.

General Foods: Twenty-seventh consecutive sales gain, eighth earnings advance, and seventh year of higher dividends for largest producer of packaged foods credited to new distribution system, several new products, and enterprising promotion. Further progress indicated in fiscal 1961.

General Mills: Hard hit by price weakness in flour, new competition in cake mixes, and rising labor costs, the nation's largest flour miller seems headed for fiscal 1960 earnings the lowest in several years, but the present dividend could be maintained.

Gerber Products: Third year of earnings decline in sight for largest baby food producer, and new competition in form of frozen baby food in prospect. Year end extra dividend paid for last three years may be omitted. Officers own about a third of stock.

Heinz (H J.): Foreign business, which accounts for over three-fourths of the profits of this important food processor and packer, continues to increase, indicating new records for sales and earnings in fiscal 1960. Dividend boost is overdue. Heinz family owns a majority of common stock.

Libby, McNeill & Libby: Major food canner continues to be plagued with unstable earning power. Expansion program laid out to almost double plant account by 1964, but may restrain dividend increases in the interval.

National Biscuit: Postwar modernization program, now completed, is paying off handsomely for largest baker of biscuits, cookies, and crackers with record 1959 earnings and first increase in regular dividend rate since 1947. Prospects are for a further profits gain this year.

National Dairy Prod.: Steadily upward trend of net income of largest dairy food company, in effect since 1951, likely to continue, thanks to sustained and progressive policy of extending and improving properties. Might lead to a dividend increase later this year.

Penick & Ford: Seven-year upswing in profits of third largest corn refiner apparently ended in 1959 by lower prices for livestock feeds. Recovery this year hardly likely to be large enough to warrant higher dividends.

Pet Milk: Stock split and dividend increase scheduled in July by leading producer of evaporated milk, instant dry milk, and frozen dessert pies reflects vigor of management installed about two years ago, which is offsetting declining trend of evaporated milk sales with new products.

The Pillsbury Co.: Second largest flour miller spends large sums for modernization and expansion and is now building a mill in Venezuela. Earnings currently suffering from recession in animal feed field and keen price competition in flour.

Quaker Oats: Record earnings indicated for fiscal year ending June 30, 1960, perhaps due to growth of pet food and foreign business into which leading manufacturer of hot cereals has diversified as a result of the postwar trend toward dry cereals. Some chance of higher dividends.

Standard Brands: Modest gain produced peak earnings in 1959 for second largest packaged food processor, probably aided by new products and dividends from its numerous foreign subsidiaries, most of which are in Latin America. Trend of profits has been upward since 1952.

Stokely-Van Camp: Low prices for canned goods have sharply reduced earnings of third largest fruit and vegetable canner, despite favorable conditions in frozen foods which are also important to company. Small chance of dividend improvement. Chairman and other directors own 20% of common stock.

Sunshine Biscuits: First earnings decline in four years suffered in 1959 by second largest cracker, cookie, and biscuit baker, doubtless because of keener competition. Price of stock suggests possibility of a split.

United Biscuit: Belated modernization of facilities by third largest baker of crackers, cookies, and biscuits has not yet restored appreciable portion of former earning power. Improvement hoped fo this year, which might permit a lift in dividends.

United Fruit: New management is employing consultants and planning diversification in an effort to check the decline of earnings which has persisted since 1950 and resulted in elimination of dividends last August. Date of resumption of payments uncertain.

Wesson Oil & Snowdrift: Operations at or near capacity are lifting profits of largest cottonseed oil producer, but competition from other fats and oils may retard further gains. Hunt's Foods have increased holdings of stock from about 28% to nearer 50%.

Ratings: A—Best grade.
B—Good grade.
C—Speculative.
D—Unattractive.
1—Improved earnings record.
2—Sustained earnings record.
3—Lower earnings records.

profitable in the early years after the Korean War, because the American people were treating themselves to better foods and eagerly accepted each new convenience item. Later, food companies found that in the highly competitive food products field, sizable expenditures for plant expansion and modernization was a necessity to help offset the pressure on profit margins being exerted by the uptrend in general costs of conducting business. In short, greater productive capacity was required if the food companies were not to lose ground in the competitive race for the consumer's dollar. Last year, however, the disturbing thought began to intrude that perhaps output was bordering on the excessive, and was kept from becoming so only by strenuous merchandising and promotion.

The Varying Impact

This situation has had, and is having, an uneven impact on the food processing companies. Those companies which are engaged in furnishing packaged foods with distinctive characteristics and carrying long established brand names are faring relatively well, particularly if they have taken care to introduce an adequate number of diversified "new" products from time to time. Diversification of output is desirable to minimize seasonal profit fluctuations. Dairy products companies continue to progress steadily along with the growth in population, aided by the fact that surpluses are not so burdensome in this field, and by diversification into candies, chemicals, frozen foods, and even non-foods, such as glues and corking compounds, in the search for additional income.

Earnings in the recession-proof dairy industry have been on the rise since the removal of price controls at the end of the Korean War. Sales have been bolstered by rising consumer income and acquisition of local and regional dairy and non-dairy food distributors. Normally correlated closely to consumer expenditures on non-durables, company sales are expected to advance at least 15% by 1963. A broadening of product lines in packaged food categories is likely to expand profit margins which are being continually upgraded by plant modernization and an increased emphasis *(Please turn to page 696)*

Vital Statistics on Food Store Chains

	1958				1949							
	Net Sales (Mil.)	Net Profit Margin	Net Earnings Per Share	Div-Per Share	Net Sales (Mil.)	Net Profit Margin	Net Earnings Per Share	Current Dividend*	Recent Price	Price Range 1959-60	Div. Yield	Ratings
ACF-Wrigley Stores Inc.	$347.5[1]	1.6%	$1.43[1]	$ .40[6]	$363.1[1]	.9%	$ .86[1]	$ .40	14	23⅜-12¾	2.8%	C3
American Stores	657.7[2]	1.2	4.92[2]	2.00[6]	663.6[2]	1.1	3.83[2]	2.00	81	105 -72¼	2.4	B3
First National	N.A.	N.A.	2.55[3]	2.50	N.A.	N.A.	2.47[3]	2.50	59	80⅞-55	4.2	A3
Food Fair Stores	3.72.1[4]	1.4	1.04[4]	1.00[6]	397.8[4]	1.5	1.10[4]	1.00	31	43 -30⅛	3.2	A1
Grand Union Co.	361.3[5]	1.2	1.18[5]	.58[6]	454.8[5]	1.2	1.30[5]	.60	28	37⅞-26¼	2.1	A1
Great Atlantic & Pac.	N.A.	N.A.	1.72[5]	.80	N.A.	N.A.	1.63[5]	1.10	38	55⅜-35⅜	2.8	A2
Jewel Tea Co.	443.8	1.7	2.51	1.00[6]	460.5	1.8	2.70	1.40	46	57 -40	3.0	A1
Kroger Co.	1,776.1	1.2	1.76	.72	1,911.9	1.3	2.06	1.10	35	36¼-27⅛	3.2	A1
National Tea Co.	588.2[5]	1.0	.92[5]	.66	631.5[5]	1.0	.93[5]	.80	18	24⅞-17⅝	4.4	B2
Safeway Stores	2,225.3	1.5	2.63	1.10	2,383.0	1.5	2.80	1.40	37	42¼-35⅝	3.7	A1
Winn-Dixie Stores	588.5[1]	2.8	1.95[1]	1.02	666.3[1]	2.1	2.22[1]	1.14	44	46⅜-39⅞	2.5	A1

* Based on latest dividend rate.

1—Year ended June 30.
2—39 weeks ended 12/27/58 and 40 weeks ended 1/2/60.
3—6 months ended Sept. 30.
4—28 weeks ended 11/8/58 and 11/14/59.
5—9 months.
6—Plus stock.
7—2% stock in 1958; 4% stock in 1959.

ACF-Wrigley Stores: Slightly better earnings comparisons in recent months can be attributed to improved economic conditions in industrial areas served. Recent management changes should help to revive profits and permit maintenance of dividends.

American Stores: Profits of fourth largest chain for fiscal 1960, held down by fact that many of its stores are in steel producing regions, may be lowest in three years, but not low enough to endanger dividend. Recovery expected in fiscal 1961.

First National Stores: Disappointing results of eighth largest chain in current fiscal year unexplained except possibly by weakness in food prices and company's deliberate expansion program. Conservative finances make continuance of dividend fairly certain.

Food Fair Stores: Vigorous expansion program laid out for next two years by sixth largest chain is already lifting net income toward new record, and will probably warrant an early increase in the dividend.

Grand Union: Recent death of dynamic former president, Lansing P. Shield, has not affected rapid addition and enlargement of stores, stocking of more non-foods, and invasion of new areas even outside U.S. Sales and profits at record levels and headed higher; could support larger dividends.

Great Atlantic & Pac.: Costs of last year's strike may have interrupted annual rise of earnings which has been continuous since 1951, but did not prevent a recent increase in the dividend rate. Hartford family and foundation still own more than 70% of stock.

Jewel Tea Co.: Volume registered sixteenth consecutive advance last year to a new record; profits also reached a new high with sixth successive gain. No slackening evident in addition and improvement of stores, important factor in company's progress.

The Kroger Co.: Management of third largest chain credits new distribution centers for large part of 1959 gain, which brought sales and profits to new peaks. Effect should continue in 1960 and could produce another dividend boost.

National Tea Co.: Fifth largest chain will almost double number of stores opened this year, in hope of resuming upward trend of earnings. Dividend increase problematical. Loblaw Groceterias owns 34% of stock, suggesting possibility of merger with Loblaw's U.S. chain.

Safeway Stores: Continues to benefit from imaginative and enterprising management installed in 1955; also from active re-location and modernization of stores. Volume and profit reached record highs in 1959 which may well be topped in 1960 leading to larger dividends.

Winn-Dixie Stores: Even without the dividend rate increase which seems probable some time this year, 1960 payments of this wholesaler-retailer will show seventeenth successive increase. Earnings which have been advancing for eight years continue to trend upward. Officers and relatives own about a third of stock.

Ratings: A—Best grade.
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FOR PROFIT AND INCOME

March Markets

Like the weather, the record shows all sorts of market behavior in March. On average, it has been a better month than February. It has been on the plus side for the industrial average in 37 out of the last 62 years, on the minus side in 25. For rails: plus in 36 years, minus in 26. Of course, the record may mean nothing in any given year. Thus, the record rates January as one of the better market months, whereas in 1960 it was the worst in a long time. The record for April is close to 50-50 in market ups and downs. Nobody can have the faintest idea what it may be this year for March or April. But we know this: the "psychological climate" has changed for the worse, and few stocks are cheap.

What Kind Of Money?

More people are buying bonds than in many years. This is because of attractive yields and of reduced confidence in the potentials of common stocks. In the case of some professionals, it is primarily because they are betting on some capital gain in bonds. You should be clear in your own mind what your objectives are before making decision on any fixed-income investment. Bonds rate some permanent role in many individual portfolios. But people who are normally stock buyers should not put "stock-market money" into long-term bonds. At some point ahead—whether six months or 12 months or longer—they will wish to buy stocks again. Of course, any long-term bond can be sold, but you don't know what the price might be. For "stock market money," the proper haven is short-term Treasury obligations (or a savings deposit), not bonds.

Blowoff

Outmoded traditions in the stock market linger on. Thus, a recent brokerage letter stated "all true bull markets end with a crescendo of sound and a whirlwind of motion." Well, we have had "true" bull markets the greater part of the time since the Spring of 1942—and none ended with an exciting blowoff. All struggled to their tops with ro-

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1959	1958
Western Air Lines	Year Dec. 31	$4.82	$1.45
Cerro de Pasco Corp.	Year Dec. 31	3.65	2.07
Bath Iron Works	Year Dec. 31	6.09	5.03
Carborundum Co.	Year Dec. 31	4.02	2.21
General Time Corp.	Year Dec. 26	3.64	1.14
Keystone Steel & Wire	Quar. Dec. 31	1.31	.99
Kern County Land	Year Dec. 31	3.86	3.09
Motor Products Corp.	Quar. Dec. 31	.68	.47
Nopco Chemical	Year Dec. 31	2.17	1.71
Signode Steel Strapping	Year Dec. 31	3.22	2.55

tating leadership and died rather quietly. If we have now seen another top—last July for rails and early this year for the Dow industrial average—it was also made without any "whirlwind of motion."

Sequence

It is a rather remarkable coincidence — at odds of perhaps something like one in a million—that the Dow industrial average made highs differing only a slight fraction of a point from each other around the 521 level in April, 1956, August, 1956, and July, 1957 each representing combinations of widely varying prices of 30 stocks. In the bull market of that time—we will not quibble whether it started in mid-1949 or September 1953, or as to just when it ended—tops were made in 1955 by the air line stock group, automobile group, soft drinks, farm machinery, motion pictures, radio-television stocks, most retail stocks and textiles. Tops were made around April, 1956, by auto parts, chemicals, coppers, and metal fabricating. Tops were seen in August, 1956, for aluminum, building materials, electrical equipment, paper stocks and railroad equipment. There were tops in December, 1956, for aircraft, coal shares and steels. Groups which significantly exceeded best previous levels at the July, 1957, triple-top for the average were: drugs, office equipment, food stores, oils, natural gas and tires. For all practical purposes there were double tops at the same time for auto parts, electrical equipment, machinery, rail equipment and steels.

Pattern This Time

The rail average's July 8, 1959, top was nowhere near approached on any subsequent rally. The Dow Industrials highs of August 3 and January 5, the latter little over 1% above the former, may well be considered a double top, as was more definitely so in the case of some broader indexes. The chances for a rally sufficient to make any semblance of a triple top this time do not appear good. Adequate upside leadership in important stock groups cannot be cited at this time. To mention just a few groups, aircrafts, oils and food stores topped early in 1959; coppers, air lines, building materials, natural gas and utilities last Spring. Steels as a group made their high late last summer, aluminum, rail equipment and tires last July. Some groups that "carried the ball" on the irregular rise from late September to early January have shown break-down tendencies in recent weeks, including automobiles, electric equipment, chemicals and television stocks.

Railroad Dividends

If there is reasonably well maintained business activity this year, in line with the present consensus, a fair number of railroads may well raise their dividend rates or in some cases pay larger extras than a year ago. Among the more likely candidates for dividend liberalization are Baltimore & Ohio, Chesapeake & Ohio, Chicago, Rock Island & Pacific; Illinois Central, Kansas City Southern, Northern Pacific, Union Pacific and Western Maryland. How about market potentials in the stocks? Well, higher dividends could not hurt them, but would not guarantee market appreciation. The latter depends on later traffic and profit developments and on investment-speculative sentiment. Dividend yield is generally a secondary consideration in decisions to buy or sell rail stocks.

Other Candidates

Dividends paid on Big-Board stocks set new records in 12 of the last 13 years, 1958 being the exception with a dip of 1% from 1957. The gain in 1959 approximated 9%. Some 1960 rise seems highly probable. How much it might be is problematical at this stage, since so much depends on the year-end extras or specials voted in November and December in the light of business conditions and prospects at the time. Some logical possibilities for sizable dividend boosts are: American Home Products, Associated Dry Goods, Burlington Industries, Diamond Alkali, Federated Department Stores. Ferro Corp., Ford Motor, Gimbel Bros.. Grant, Jones & Laughlin, Macy, Revlon, Stevens and U. S. Steel.

Drug Prices

Maybe Senator Kefauver has now had maximum publicity from investigation of alleged excessive prices of certain drugs, and will turn his committee in other directions in seeking to find "political pay dirt." In any event, Federal action to control drug prices, or any other prices, seems most unlikely—beyond the costly effort to hold up farm prices, at billions of annual expense to the taxpayers. Product lines of certain companies in the proprietary and ethical drugs fields are such as to suggest minimum vulnerability, if any, to unfavorable political publicity as regards pricing. Among others, that is so of Bristol-Myers, Norwich Pharmacal and Warner-Lambert—which happen also to be among the more attractive stocks in the group on other counts. None is cheap in relation to current earning power. On the other hand, none appears ridiculously overpriced now on longer-range potentials.

Photographic Equipment

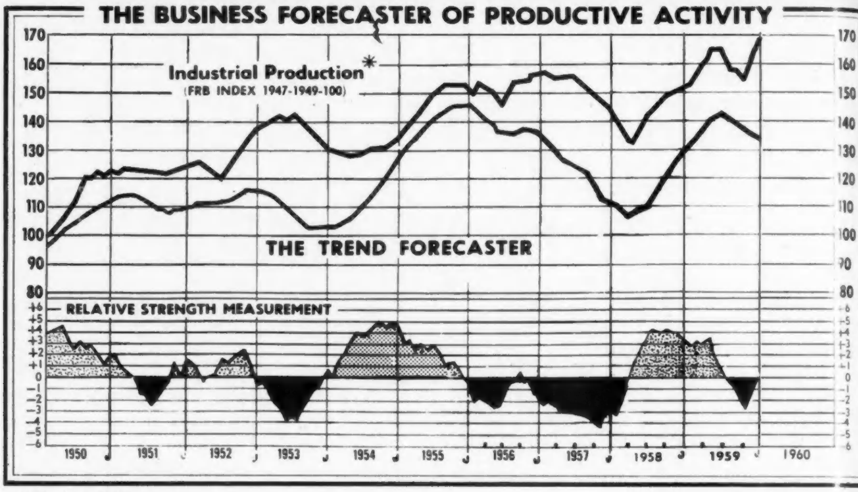
Strong growth for years to come is indicated in the home market for photographic equipment. Even as regards still cam-

(Please turn to page 699)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1959	1958
Archer-Daniels-Midland	Quar. Dec. 31	$ .70	$ .92
Coty, Inc.	6 mos. Dec. 31	.35	.40
Plymouth Oil	Year Dec. 31	.84	1.79
Halliburton Oil Will Cement	Quar. Dec. 31	.82	.90
Naticial Sugar Refining	Year Dec. 31	1.61	3.50
Union Tank Car Co.	Year Dec. 31	1.86	2.16
Braniff Airways	Year Dec. 31	.85	1.01
American Crystal Sugar	9 mos. Dec. 31	2.52	3.18
Gerber Products Co.	9 mos. Dec. 31	2.46	2.61
Idaho Power Co.	Year Dec. 31	2.32	2.56

the Business

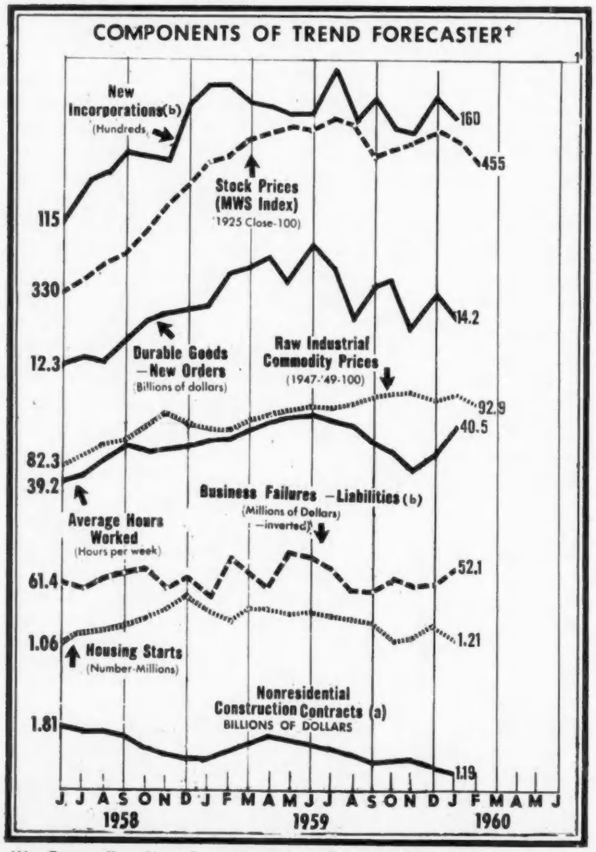


* Revised Index

Business Trend Forecaster

INTERESTING TO NOTE — The rise in industrial production line between 1956-57 was offset by economic decline in that period, accurately forecasting heavy inventory accumulations.

With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.



(†)—Seasonally adjusted except stock and commodity prices.
(a)—Computed from F. W. Dodge data.
(b)—Computed from Dun & Bradstreet data.

This we have done in our *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook — the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

The components of the Trend Forecaster are showing little dynamism since the end of the steel strike. In fact, month-to-month comparisons reveal that six of the indicators were lower in the latest period. Declines were registered for stock prices, which are entering their third month of weakness, new orders receded to striking distnce of last year's low, housing starts fell, after an abortive recovery, nonresidential construction contracts remained in the long-term downtrend that started almost a year ago, new incorporations suffered a set-back and raw industrial commodity prices reached lower levels. Among the indicators, only business failures (inverted) and hours worked, have managed to show improvement in the latest month.

The Relative Strength Measurement, which is based on longer-term trends of the indicators, was climbing slowly in early 1960, but was still in minus territory and appeared to be losing momentum. Judging by the recent action of Relative Strength, the recovery in business from the strike lows, will be mild and may prove short-lived.

Analyst

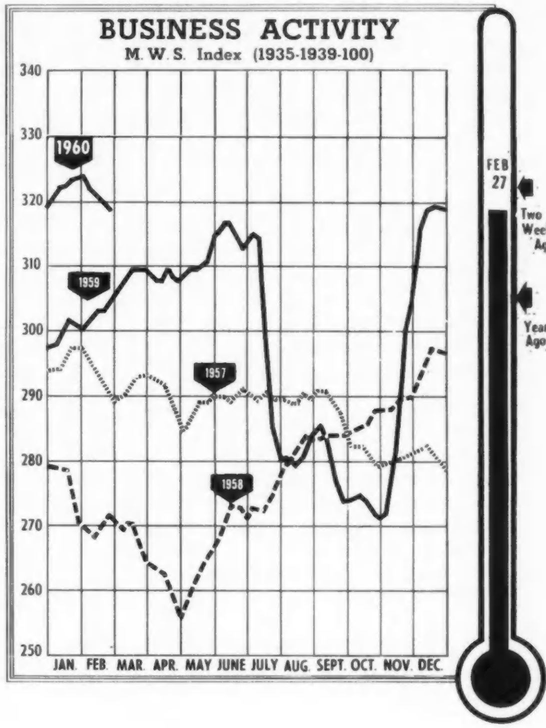
CONCLUSIONS IN BRIEF

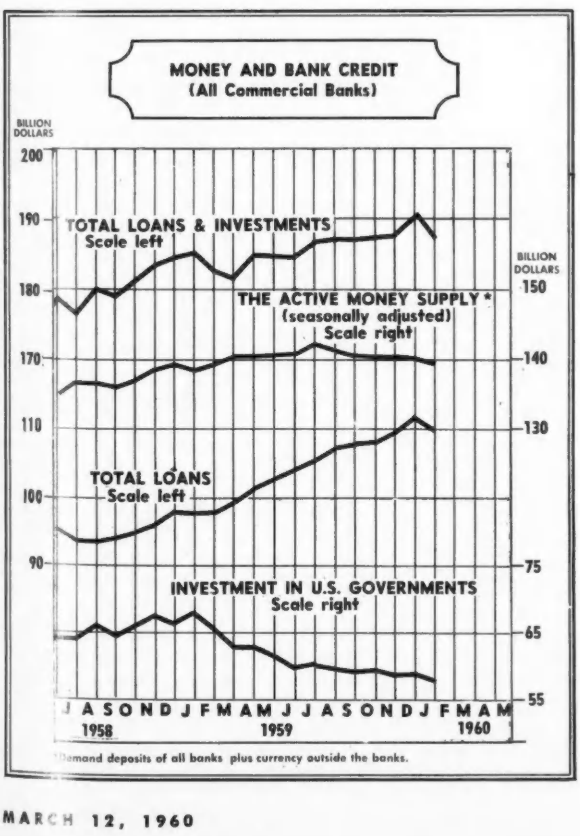
PRODUCTION—Industrial output to recede slowly from January peak rates, as auto production is cut back, to be followed by lower steel operating rates. Machinery output to remain high as plant and equipment outlays expand.

TRADE—Retail sales continuing to rise from depressed levels of recent months, but are still well under mid-1959 peak. High level of consumer debt to militate against sharp gains in consumer spending in coming months.

MONEY & CREDIT—Short-term money rates are in the midst of a seasonal upswing, to be followed by some slight easing by late March. Long-term rates to be strongly influenced by ultimate fate of Committee approved bill, allowing Treasury to by-pass 4¼% ceiling on new bond issues.

COMMODITIES—Most items remain in extremely narrow range, although sensitive industrial commodities display some easiness. General stability in over-all prices to be expected in the months ahead.





*Demand deposits of all banks plus currency outside the banks.

THE business community has undergone a painful but salutory change in sentiment in recent weeks, shifting from the heady optimism of late 1959, to a more careful appraisal of the current outlook. In line with this return to reality, has come the realization that some of last year's more popular assumptions do not jibe with the available facts. One such belief was the inflation illusion—the assumption that prices were destined to go steadily and irresistibly higher, on a broad front, with all that this implies for profits and investment. But things did not work out that way. There has been little or no inflation in the last twelve months; comprehensive wholesale price indexes are at the same level today as they were a year ago and the active money supply has risen less than 1%. The scattered price rises that have occurred, are mainly in the field of consumer services, which has little effect on business, generally.

Another widely accepted fallacy was the assumption that we were still in the "rapid-growth" phase of the business cycle; that once the steel strike was settled, the economy would surge ahead in a tremendous boom accentuated by strike-induced shortages. The actuality has been rather different, and it is becoming clear — after a business advance of almost two years duration, with a rise in industrial output exceeding the gain of the 1954-1957 recovery — that we may now actually be on the threshold of the "mature" phase of the upturn, a period that will be marked by increasingly divergent

(Plase turn to the following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* † (FRB)	1947-'9-100	Jan.	169	165	152
Durable Goods Mfr.	1947-'9-100	Jan.	181	172	156
Nondurable Goods Mfr.	1947-'9-100	Jan.	159	158	148
Mining	1947-'9-100	Jan.	128	129	128
RETAIL SALES*	$ Billions	Jan.	17.8	17.5	17.5
Durable Goods	$ Billions	Jan.	5.7	5.3	5.8
Nondurable Goods	$ Billions	Jan.	12.2	12.2	11.6
Dep't Store Sales	1947-'9-100	Jan.	147	149	138
MANUFACTURERS'					
New Orders—Total*	$ Billions	Jan.	30.7	29.7	28.5
Durable Goods	$ Billions	Jan.	14.7	14.2	13.9
Nondurable Goods	$ Billions	Jan.	16.0	15.5	14.6
Shipments*	$ Billions	Jan.	30.8	30.8	28.1
Durable Goods	$ Billions	Jan.	15.0	15.4	13.5
Nondurable Goods	$ Billions	Jan.	15.8	15.4	14.6
BUSINESS INVENTORIES, END MO.*	$ Billions	Dec.	89.2	88.4	85.1
Manufacturers'	$ Billions	Dec.	52.3	51.6	49.2
Wholesalers'	$ Billions	Dec.	12.7	12.6	12.0
Retailers'	$ Billions	Dec.	24.2	24.2	24.0
Dept. Store Stocks	1947-'9-100	Dec.	161	160	150
CONSTRUCTION TOTAL	$ Billions	Jan.	3.7	4.1	3.7
Private	$ Billions	Jan.	2.7	3.1	2.6
Residential	$ Billions	Jan.	1.5	1.7	1.5
All Other	$ Billions	Jan.	1.2	1.4	1.1
Housing Starts*—a	Thousands	Jan.	1210	1330	1364
Contract Awards, Residential—b	$ Millions	Jan.	927	993	1022
All Other—b	$ Millions	Jan.	1266	1231	1297
EMPLOYMENT					
Total Civilian	Millions	Jan.	64.0	15.7	62.7
Non-Farm *	Millions	Jan.	53.0	52.9	51.1
Government *	Millions	Jan.	8.3	8.3	8.0
Trade *	Millions	Jan.	11.6	11.5	11.2
Factory *	Millions	Jan.	12.5	12.4	11.9
Hours Worked	Hours	Jan.	40.4	40.5	39.9
Hourly Earnings	Dollars	Jan.	2.29	2.27	2.19
Weekly Earnings	Dollars	Jan.	92.52	91.94	87.38
PERSONAL INCOME*	$ Billions	Jan.	393	392	369
Wages & Salaries	$ Billions	Jan.	268	265	249
Proprietors' Incomes	$ Billions	Jan.	60	60	59
Interest & Dividends	$ Billions	Jan.	38	37	34
Transfer Payments	$ Billions	Jan.	27	28	26
Farm Income	$ Billions	Jan.	17	17	17
CONSUMER PRICES	1947-'9-100	Jan.	125.4	125.5	123.8
Food	1947-'9-100	Jan.	117.6	117.8	119.0
Clothing	1947-'9-100	Jan.	107.9	109.2	106.7
Housing	1947-'9-100	Jan.	130.7	130.4	128.2
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Jan.	111.4	111.8	111.3
Bank Debits*—g	$ Billions	Jan.	92.0	95.8	87.9
Business Loans Outstanding—c	$ Billions	Jan.	30.8	31.4	31.4
Instalment Credit Extended*	$ Billions	Dec.	4.0	4.1	3.8
Instalment Credit Repaid*	$ Billions	Dec.	3.8	3.7	3.4
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Jan.	4.9	7.6	4.5
Budget Expenditures	$ Billions	Jan.	6.2	6.8	6.8
Defense Expenditures	$ Billions	Jan.	3.5	4.2	3.9
Surplus (Def) cum from 7/1	$ Billions	Jan.	(6.9)	(5.6)	(13.3)

PRESENT POSITION AND OUTLOOK

trends in various sectors of the economy, as a cyclical peak is approached.

Evidence of the loss of momentum, characteristic of this phase, has multiplied in recent months. Signs of weakness have included the faltering recovery of total new orders from strike-induced lows, the long decline in paperboard orders (a leading business indicator), the drop in automobile output, as sales fail to match expectations, the top-heaviness in consumer credit and the sharp drop in stock prices.

These disappointing developments are symptomatic of an aging boom, but they are being offset, at present, by counterbalancing forces, which are still vigorous enough to maintain the economy at high levels for some months at least. The main element of strength is capital spending, which is destined for further growth in coming months. Inventory accumulation will remain at high tide for a while longer, although it will not surpass recent rates of stockpiling and our net export balance will improve somewhat, as foreign demand continues to increase.

All these strong areas of the economy will enable business to remain at high levels during the first half, but as inventories approach normal ratios to sales, accumulation will slow, putting pressure on demand. At that point, a test of the underpinnings of the upturn will begin. If the test occurs before the Presidential election, as well it may, it will be interesting to see whether politically inspired attempts to bolster the economy will be tried, and if so, what degree of success they will achieve.

* * *

PERSONAL INCOME AND SPENDING — Trends in these key sectors have been diverging sharply in recent months, with income receipts soaring to new highs in January, $9.5 billion above the June, 1959 peak, while consumer spending—judging by retail sales—is still well under mid-1959 levels.

There are several good reasons

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1959 Quarter IV	1959 Quarter III	1959 Quarter II	1958 Quarter IV
GROSS NATIONAL PRODUCT	483.5	478.6	484.5	457.1
Personal Consumption	317.0	313.3	311.2	299.1
Private Domestic Invest.	69.7	67.0	77.5	62.3
Net Exports	—0.6	0.0	—1.8	5.8
Government Purchases	97.4	98.4	97.7	96.5
Federal	52.7	53.6	53.9	54.2
State & Local	44.7	44.8	43.8	42.2
PERSONAL INCOME	386.8	381.0	381.1	366.3
Tax & Nontax Payments	46.1	45.8	45.8	43.4
Disposable Income	340.8	335.2	335.3	322.9
Consumption Expenditures	317.0	313.3	311.2	299.1
Personal Saving—d	23.7	21.9	24.1	23.7
CORPORATE PRE-TAX PROFITS		46.4	52.6	44.6
Corporate Taxes		22.6	25.6	21.9
Corporate Net Profit		23.8	27.0	22.7
Dividend Payments			13.0	12.0
Retained Earnings			14.0	10.7
PLANT & EQUIPMENT OUTLAYS	34.4	34.0	32.5	30.0

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Feb. 20	318.5	320.8	322.6
MWS Index—per capita*	1935-'9-100	Feb. 20	231.8	233.5	234.8
Steel Production	% of Capacity	Feb. 27	93.7	93.8	88.5
Auto and Truck Production	Thousands	Feb. 27	197	200	163
Paperboard Production	Thousand Tons	Feb. 20	330	325	307
Paperboard New Orders	Thousand Tons	Feb. 20	298	305	298
Electric Power Output*	1947-'49-100	Feb. 20	264.9	266.6	249.8
Freight Carloadings	Thousand Cars	Feb. 20	572	580	583
Engineerings Constr. Awards	$ Millions	Feb. 25	308	342	286
Department Store Sales	1947-'9-100	Feb. 20	107	115	109
Demand Deposits—c	$ Billions	Feb. 17	59.4	60.6	60.9
Business Failures—s	Number	Feb. 18	289	317	310

PRESENT POSITION AND OUTLOOK

for the lag in consumer demand. In the first place, during much of 1959, the public was spending—and borrowing—at a much higher than normal rate. As a result, total cosumer debt rose to burdensome levels, while savings contracted. Furthermore, workers suddenly receiving large over-time payments, or rehired after long lay-offs, are justifiably worried about the duration of their good fortune. It should be noted, too, that take-home pay has not risen as rapidly as gross income because of higher social security taxes for one.

In these circumstances, consumers are spending cautiously and using extra income to rebuild depleted savings. The key question at the moment, is whether present consumer caution—and the accompanying rebuilding of resources—will enable the public to maintain a good rate of outlays if business turns down, later on, or whether the current reduced spending rate will discourage businessmen, and bring on a recession. For the record, it should be noted that cautious consumer spending has never triggered a business downturn in the past.

***Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. (s)—Data from Dun & Bradstreet. (t)—Revised index. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.**

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1959-'60 High	1959-'60 Low	1959 Feb. 19	1960 Feb. 26
Composite Average	492.4	436.9	456.6	456.1
4 Agricultural Implements	492.4	356.2	407.0	398.4
3 Air Cond. ('53 Cl.—100)	137.2	110.5	122.4	118.6
9 Aircraft ('27 Cl.—100)	1375.1	1019.1	1060.8	1038.7
7 Airlines ('27 Cl.—100)	1429.4	901.7	934.7	912.7
4 Aluminum ('53 Cl.—100)	594.5	392.0	479.6	479.6
5 Amusements	252.6	200.5	216.1	216.1
5 Automobile Accessosies	541.9	413.4	498.5	498.5
5 Automobiles	156.8	93.7	133.9	129.3
3 Baking ('26 Cl.—100)	41.3	28.5	37.2	37.2
4 Business Machines	1395.5	1173.8	1211.8	1225.0
6 Chemicals	835.5	692.9	713.4	721.4
4 Coal Mining	37.8	28.1	32.5	31.4
4 Communications	229.8	164.6	218.3	229.9
9 Construction	178.9	155.6	167.5	167.5
5 Container	1142.6	970.7	991.6	1002.0
5 Copper Mining	344.6	280.7	314.8	314.8
2 Dairy Products	163.1	138.8	153.0	159.1
5 Department Stores	143.8	119.1	136.6	139.5
5 Drugs-Eth. ('53 C.—100)	475.4	379.5	413.1	413.1
5 Elect. Eqp. ('53 Cl.—100)	369.9	268.8	336.6	344.0
3 Finance Companies	769.7	654.6	668.9	668.9
5 Food Brands	470.0	406.3	423.8	428.3
3 Food Stores	279.6	244.4	265.6	268.2

(Nov. 14, 1936 Cl.—100)	High	Low	Feb. 19	Feb. 26
High Priced Stocks	306.7	268.4	282.8	282.8
Low Priced Stocks	665.9	585.4	615.8	614.2
5 Gold Mining	1043.9	853.0	1003.4	1043.9
4 Investment Trusts	190.6	160.4	160.4	160.4
3 Liquor ('27 Cl.—100)	1624.8	1308.8	1323.9	1308.8L
7 Machinery	563.2	452.4	486.7	502.4
3 Mail Order	467.5	253.1	409.7	409.7
4 Meat Packing	277.1	204.4	286.8	286.8
4 Mtl. Fabr. ('53 Cl.—100)	211.2	181.3	200.6	198.6
9 Metals, Miscellaneous	409.6	343.8	358.1	354.4
4 Paper	1310.2	1084.1	1084.1	1084.1
16 Petroleum	885.5	669.2	691.7	669.2L
16 Public Utilities	365.4	334.9	345.1	348.6
6 Railroad Equipment	104.1	86.9	97.8	96.8
18 Railroads	78.2	65.4	67.4	65.4L
3 Soft Drinks	726.6	599.8	712.1	712.1
11 Steel & Iron	476.4	392.5	423.1	423.1
4 Sugar	144.7	85.2	87.0	85.2
2 Sulphur	863.3	578.9	587.9	600.2
11 TV & Electron. ('27—100)	111.3	65.6	98.7	100.9
5 Textiles	259.6	176.6	214.2	209.8
3 Tires & Rubber	281.8	216.1	224.9	224.9
5 Tobacco	194.9	172.9	186.2	188.1
3 Variety Stores	371.2	331.4	363.9	367.5
14 Unclassif'd ('49 Cl.—100)	295.1	239.8	268.8	276.7

H—New High for 1959-1960. L—New Low for 1959-1960.

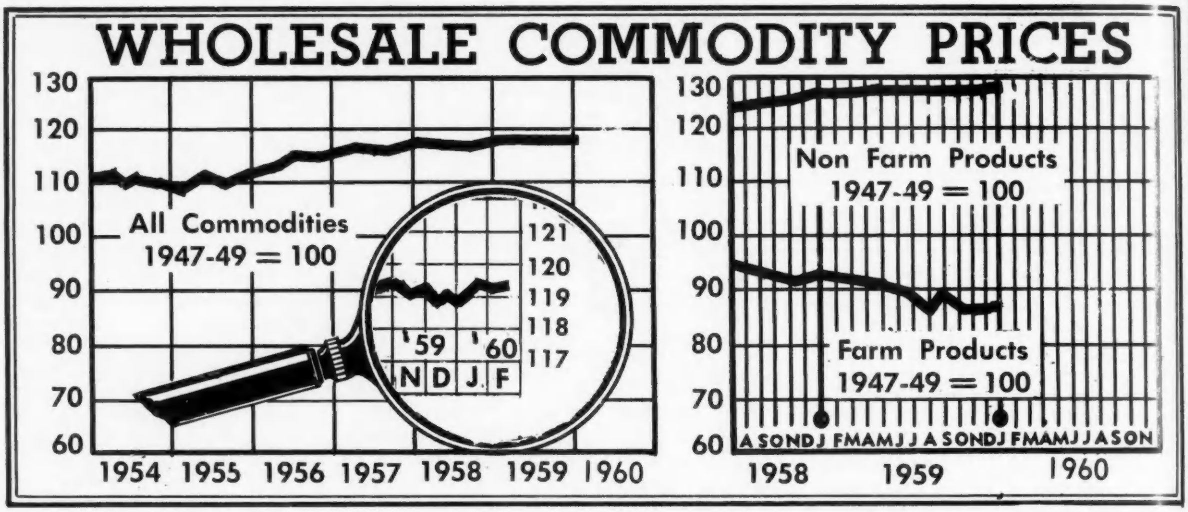
Trend of Commodities

SPOT MARKETS—Sensitive commodity prices were somewhat easier in the fortnight ending February 26 and the BLS daily index of 22 sensitve commodities fell 1.0% to close at 83.8. Raw industrial materials led the decline, spurred by some sharp sell-offs in the metals. The latter component of the index declined 3.8%, with copper scrap, lead scrap, steel scrap and tin, all giving ground. Steel scrap was especially weak, dropping from $40 a ton to $34 during the period.

Among the broad range of commodities, generally, stability was still the keynote. The BLS comprehensive weekly wholesale price index advanced 0.1%, tanks to some improvement in farm prices. Commodities other than farm products and foods remained in a rut, the index holding unchanged at 128.6.

FUTURES MARKETS—were mostly lower in the two weeks ending February 26, but a few strong spots were in evidence. Futures that gave ground included wheat, oats, soybeans, lard, cotton, copper, zinc and lead. Corn and cocoa were mixed, while improvement was noted for wool, hides and rubber and coffee.

Wheat futures at Chicago were uniformly lower, the May option giving up 3 cents to close at 184¼. Kansas City and Minneapolis wheat futures, on the other hand, were strong. The backwardness of the Chicago markets reflects a technical situation, with supplies of soft red wheat at that center, somewhat excessive. It is expected that this surplus will eventually be disposed of and that wheat futures at Chicago should then work higher.



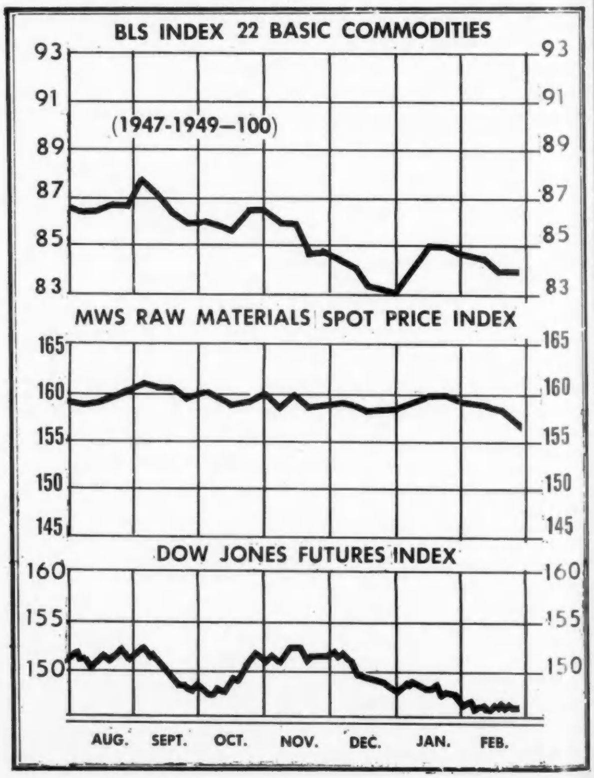
BLS PRICE INDEXES 1947-1949—100	Date	Latest Date	2 Weeks Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Feb. 23	119.3	119.2	119.2	60.2
Farm Products	Feb. 23	87.3	87.0	87.0	51.0
Non-Farm Products	Feb. 23	128.6	128.6	128.6	67.0
22 Sensitive Commodities	Feb. 26	83.8	84.6	84.4	53.0
9 Foods	Feb. 26	72.8	73.0	78.4	46.5
13 Raw Ind'l. Materials	Feb. 26	92.2	93.5	88.7	58.3
5 Metals	Feb. 26	96.7	100.4	96.6	54.6
4 Textiles	Feb. 26	79.9	79.4	77.0	56.3

MWS SPOT PRICE INDEX
14 RAW MATERIALS
1923-1925 AVERAGE—100
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1959	1958	1953	1951	1941
High of Year	161.4	154.1	162.2	215.4	85.7
Low of Year	152.1	146.5	147.9	176.4	74.3
Close of Year	158.3	152.1	152.1	180.8	83.5

DOW-JONES FUTURES INDEX
12 COMMODITIES
AVERAGE 1924-1926—100

	1959	1958	1953	1951	1941
High of Year	152.7	159.0	166.8	215.4	84.6
Low of Year	144.2	147.2	153.8	174.8	55.5
Close of Year	147.8	147.6	166.5	189.4	84.1



COMMERCIAL CREDIT COMPANY
AND SUBSIDIARIES
Highlights from the 48th Annual Report

FINANCE COMPANIES
- Wholesale Financing
- Instalment Financing
- Commercial Financing
- Equipment Financing and Leasing
- Fleet Lease Financing
- Rediscounting
- Personal Loans
- Factoring

INSURANCE COMPANIES
- Automobile Insurance
- Credit Insurance
- Health Insurance
- Life Insurance

MANUFACTURING COMPANIES
- Pork Products
- Metal Products
- Heavy Machinery and Castings
- Malleable, Gray Iron and Brass Pipe Fittings
- Metal Specialties
- Roller and Ball Bearing Equipment
- Machine Tools
- Toy Specialties
- Pyrotechnics
- Printing Machinery
- Valves

	1959	1958
GROSS INCOME	$ 182 805 970	$ 163 672 045
NET INCOME:		
Net income before interest and discount charges	$ 106 965 640	$ 90 980 103
Interest and discount charges	56 017 125	42 732 824
Net income from current operations, before taxes	$ 50 948 515	$ 48 247 279
United States and Canadian income taxes	23 087 649	21 444 888
Net income credited to earned surplus	$ 27 860 866	$ 26 802 391
Net income per share on common stock	$5 48	$5 29
Common shares outstanding at end of period	5 082 513	5 066 255
RESERVES:		
Reserve for losses on receivables	$ 21 907 729	$ 18 617 824
Unearned income on instalment receivables	106 995 879	79 137 245
Unearned premiums—Insurance Companies	33 673 708	27 954 932
Available for credit to future operations	$ 162 577 316	$ 125 710 001
Operations shown separately are, briefly:		
FINANCE COMPANIES:		
Gross Receivables acquired:		
Motor retail	$ 756 681 643	$ 553 129 161
Farm equipment, mobile homes and other retail	291 485 431	205 271 573
Loan receivables	216 384 173	154 641 630
Motor wholesale	1 315 331 558	904 515 368
Open accounts, leases, other wholesale notes, mortgages and factoring receivables	1 601 390 684	1 406 929 123
Total receivables acquired	$4 181 273 489	$3 224 486 855
Total receivables outstanding December 31	$1 720 834 360	$1 338 455 714
Net income of Finance Companies	$ 14 670 375	$ 16 257 950
INSURANCE COMPANIES:		
Written premiums, prior to reinsurance	$ 33 952 737	$ 27 727 167
Earned premiums	29 601 682	30 052 311
Net income (including Cavalier Life Insurance Co.)	9 763 635	7 906 844
MANUFACTURING COMPANIES:		
Net sales	$ 126 949 092	$ 133 233 066
Net income	3 426 856	2 637 597

Finance and insurance services are offered by our subsidiaries in more than 700 offices throughout the United States and Canada. Nationally known products are manufactured by our subsidiaries in ten plant locations.

COMMERCIAL CREDIT PLAN

COMMERCIAL CREDIT COMPANY *Baltimore 2, Maryland*

Copies of our 48th Annual Report available upon request

Why High Cost Commercial Atomic Energy Cannot Compete With Oil Today

(*Continued from page 663*)

tons of coal. This would give atomic energy a 4% share in Western Europe's (including Britain's) total energy supplies. A similar study released in 1956, when preoccupation with the energy-gap concept was reaching a climax, predicted a share of at least 8% by 1975.

In the United States the energy situation is basically different from Western Europe. We are the world's largest producers of coal, oil and natural gas. And though we are net importers of energy products, our present domestic spare capacity is such that we could switch entirely to domestic fuels without any significant curtailment in our consumption. This favorable situation is not likely to change drastically in the foreseeable future. Our coal supplies are so vast that we may never be able to utilize them all. Our oil and gas supplies are considerably smaller but, according to the most expert prognostications, they are certainly enough to fill all our needs well beyond 1975. If in the meantime we import moderately growing quantities of oil from various foreign areas in which U.S. companies have concessions, we should be able to husband our oil and gas reserves at least until the end of the century when new sources and types of energy will certainly be available. This estimate does not take into account our vast, and as yet untapped, *shale oil deposits* in Colorado and Utah whose commercial exploitation would certainly be undertaken if oil and natural gas reserves should ever become scarce.

Atomic energy, therefore, is not needed now or even in the next 15-20 years to cope with any developing U.S. energy gap.

Nevertheless, the U.S. Atomic Energy Commission has just released a 10-year plan for the building of atomic power reactors. This is the first such program in the history of the Commission and considerable importance is attached to it in Washington. Under the program the government will, in effect, assume responsibility to build atomic reactors of various types through the prototype stage where their economic feasability has been proved. It will do this either in cooperation with private industry or on its own, if industry declines to cooperate. The reactors to be built by the AEC will have a capacity of 60,000 kilowatts. It is hoped that private industry will select the most economic of these reactors and build 300,000 kilowatt electric power plants around it. The program will cost the AEC a total of $1.7 billion for its ten-year duration.

Probably a long-range program of some sort is needed for the same reason for which it is being undertaken in Europe, namely to acquire experience and know-how. The idea of the AEC to construct various prototypes of reactors in order to learn which is most economical and then have private industry use it to build a large-scale commercial power plant seems basically sound. The only trouble is that for the time being no atomic power plant, no matter how efficient, would be competitive over its life-span. He bases his calculations not on present conventional energy prices but on the assumption that they will rise. This, however, is a very tenuous assumption. For instance, as Canada's vast new natural gas suppliers are being tapped for export to the United States, energy costs in the Pacific area might well decline. Hence, there is at least as much chance that a large-scale atomic power plant on the Pacific Coast will not be able to supply electricity at competitive costs as that it will. Certainly, in the beginning its production cost would be at least 15% higher than that of a similar sized conventional plant. There is now a possibility that Southern California Edison and Pacific Gas and Electric will build such plants at a cost of $60 million each. One of the reactors would be built by General Electric and the other by Westinghouse. Neither of the two utilities have made their final decisions on the project. If they should go ahead with it, under the eager prodding of the AEC, it would be the first truly competitive test between atomic and conventional power in the Western Hemisphere. The future progress of atomic power construction in North America could well depend on its outcome. END

The Old "5 & 10c" Stores Sharpen Competitive Clash With Department Stores

(*Continued from page 680*)

ported in 1958-59. The stock, at near its post World War II low, is a speculation on the new management.

G. C. Murphy recently reported an earnings gain to $4.44 per share from $3.50 in 1958. This however represents a recovery since earnings were at $4.11 in 1957. The cash acquisition of Morgan & Lindsey, a 92 store variety chain operating in the deep south gives the company a wider earnings base.

J. J. Newberry added one-third to its selling space in three years prior to the end of 1959. Of ten new stores opened in 1959 the average size was 50,000 square feet, twice as large as the stores opened five years ago. Earnings should receive the benefit of new stores in 1960, especially in the latter half of the year with final results comparing favorably with 1959.

Butler Brothers recently sold its assets to City Products Corp. and, now known as B.T.L. Corp. (45½) is sitting on $35 million in cash. B.T.L. management under Riklis, which took over Butler in 1957, has indicated a desire to re-enter retailing. B.T.L. has just purchased the controlling interest in United Stores from H. L. Green Co. for $7 million. This has given it control of United. The purchase involved 72% of the total common and 261,145 second preferred (23% of the total), of United Stores. The latter controls McCrory-McLellan Stores, a retail variety chain owning 451 stores in 36 states and the District of Columbia, with the largest concentration in Pennsylvania and Florida. City Products, which now operates the Butler chain, is the nation's largest manufacturer of ice, sold principally to railroads, has a large dairy

(*Continued on page 694*)

Facts and Figures

FROM THE 1959

CONTINENTAL MOTORS · Powerful as the Nation · AMERICA'S STANDARD ®

Annual Report

HIGHLIGHTS

Continental Motors Corporation and consolidated subsidiaries, Wisconsin Motor Corporation and Gray Marine Motor Company, had net sales of $139,946,152 in the year ended October 31, 1959, compared with net sales of $131,415,279 in the previous fiscal year.

Net operating earnings were $2,637,475 in 1959, compared with net operating earnings of $2,523,032 in 1958. (The reported 1958 net earnings of $3,536,528 included refunds of, and overprovisions for, federal taxes on income of previous years, in the amount of $1,013,496.)

Branch and distributor operations were highly successful, showing gains over 1958. The company also added to the number and diversity of its manufacturing customers.

On August 1, Continental Motors purchased the Governor Division of the Novi Equipment Company, Novi, Michigan, to assure continuity of supply of the component which that company had provided. This facility has since been operating as the Governor Division of Continental Motors.

It was possible to meet customers' revised delivery schedules out of inventory accumulated prior to the steel strike, but production and delivery schedules, and profits, were adversely affected in the final four months of the year.

More than 125,000 miles have been accumulated to date by the LDS-427 Hypercycle engine, in standard 2½-ton military trucks in military testing.

Three of the Military Standard air-cooled engines developed jointly by the Corps of Engineers and Continental Motors are now in production, and three more are nearing the production stage.

The Aircraft Engine Division expects to register increased sales in 1960, as a result of added models and new customer installations.

The Continental system of fuel injection has proved highly successful, and engines equipped with it will again constitute an important part of this division's output in 1960.

Gray Marine Motor Company had a good year in 1959, and expects another good year in 1960. The outlook for the marine engine industry is good, and Gray is in favorable position, product-wise, to share in the business.

Wisconsin Motor Corporation showed substantial gains in sales and earnings. A new research and engineering building was completed and occupied.

Satisfactory progress was made in the program announced a year ago, under which Wisconsin Motor Corporation agreed to loan money to its Australian affiliate, Ronaldson Brothers & Tippett, Ltd., to improve the latter's operations as a manufacturer under license, of Wisconsin engines.

Continental Aviation and Engineering Corporation again had good sales and earnings.

CAE's J69-T-29 turbojet engine developing 1700 lbs. thrust powers the latest target-missile, the Ryan Q-2C, used in aerial gunnery training, and a version of this engine, de-rated to 1400 lbs. thrust for man-carrying applications, has been announced as the power for the new Cessna 4-place Model 407 jet.

Desirability of establishing overseas branch operations, and of entering into licensing agreements with manufacturers in the Sterling bloc area, is still being explored.

STATISTICS

Fiscal Years Ended Oct. 31	1959	1958	1957	1956	1955
Engine output (horsepower)	12,129,875	10,231,837	10,549,655	10,783,043	13,876,317
Net sales	$139,946,152	$131,415,279	$135,610,890	$125,116,269	$145,465,155
Net earnings	$2,637,475	$3,536,528	$3,583,301	$1,604,924	$2,502,287
Net earnings per common share	$0.80	$1.07	$1.09	$0.49	$0.76
Dividends per share	$0.60	$0.55	$0.35	$0.25	$0.70
Current assets	$59,657,338	$56,101,397	$64,454,365	$59,262,735	$58,115,700
Current liabilities	$25,005,195	$21,289,109	$30,598,007	$28,304,638	$27,553,219
Net working capital	$34,652,143	$34,812,288	$33,856,358	$30,958,097	$30,562,481
Ratio of current assets to current liabilities	2.4 to 1	2.6 to 1	2.1 to 1	2.1 to 1	2.1 to 1
Long-term debt	$2,000,000	$2,355,000	$2,480,000	$2,760,000	$3,040,000
Property, plant, and equipment (net)	$16,392,626	$15,733,097	$16,223,841	$16,547,581	$17,219,239
Stockholders' equity	$49,936,827	$49,279,352	$47,557,824	$45,129,523	$44,349,599
Book value per common share	$15.13	$14.93	$14.41	$13.68	$13.44

Continental Motors Corporation

MUSKEGON, MICHIGAN

operation and a brewery.

H. L. Green—Down nearly 40% from its 1959 high of 47, the stock has discounted last year's development concerning the $6.0 million deficiency in the Olen Division. Much has been done to effect a settlement, although the plan announced in December, 1959 has been blocked by minority stockholders as inadequate.

A deposit by Mr. Olen of $1.0 million plus $600,000 in two-year notes, and a tax refund for overpayment amounting to $3.6 million seem to go a long way toward repairing the damage. In addition Green has filed a $4.0 million damage suit against the accounting firm retained by Olen.

While the stock may be a speculation that is oversold, investors seem better advised to stay with quality issues that show promise for higher earnings in 1960. Green's earnings for the year ended January 31, 1960 may be depressed by year end adjustments. However the absence of limiting non-recurring items could bring earnings to the $3.00 level in the next 12 months. The controlling interest in United Stores has just been sold to B.T.L., as mentioned earlier, for a total of $7 million. This will give Green additional working capital to further its aggressive program of opening new stores.

On the whole, as can be seen, the old "Five and Tens" are no longer dormant—aggressive management is cashing in on all the advantages of their previous status as purveyors of low priced consumer goods, and are now expanding into the field of general merchandisers, with a broad variety of products in various price ranges. Their progress seems to be assured by the trend toward consumer price consciousness, at a time when quality has been deteriorating in goods selling elsewhere at higher levels. END

Comparing Inducements and Advantages for Industry in Puerto Rico and Jamaica

(Continued from page 669)

income is taken into account Puerto Rico comes out on top in the standard of living race). The growing maturity of the Puerto Rican and Jamaican economies is demonstrated by the growing part that manufacturing and construction play in the total economy. *In fiscal 1940 agriculture accounted for 31% of the net income in Puerto Rico and manufacturing only 12%. In fiscal 1959 agriculture had dropped to 14% and manufacturing had risen to 21%.*

Capital Formation

In **Jamaica** gross domestic capital formation as a percent of gross national product has risen from 8.9% in 1950 to 25.4% in 1957, an absolutely phenomenal rate of growth. While rising in absolute terms by £40.2 million 1953-1957, the share of wages in national income declined from 57.7% to 55.8% while profits rose from 2.6% to 6.7%, another indication of growing maturity. Consumption expenditures have declined, especially expenditures on food (down from 42.3% of GNP in 1950 to 35% in 1957). Personal savings and insurance expenditures are up. Government expenditures, meanwhile, have increased only at the same rate as the economy.

In **Puerto Rico** capital formation has been averaging over 20% of GNP. Almost $300,000,000 was invested in the economy in 1959.

Tourism has risen to a yearly level of about $40,000,000 in Puerto Rico and $30,000,000 in Jamaica. Puerto Rico's development program has been so successful that the Commonwealth government has begun supplementing "Operation Bootstrap" with an "Operation Serenity," aimed at improving the cultural and intellectual life of the country.

Since 1940 more than 600 new factories have opened in Puerto Rico, including those of Union Carbide, Nebraska Mills, Consolidated Cigar, Manati Shoe, Thomb Tex Paper, Wetstone Knitting, Gordonshire Knitting, Playtex, Isabela Canning, Steer Leather, Craftsman Billfolds, W. R. Grace, and many others. The number of failures has been low, and most of the industries have been well satisfied with their experience in producing in the Commonwealth.

By October 1, 1959, 62 new plants had opened in Jamaica and 119 more were registered for the future. Batteries, cloth, cartons and bags, concrete, gin, phonograph records, plastic products, metal products, drugs, tiles, furniture and shoes, among other products, were being produced by such companies as *Jamaica Woollens, Amalgamated Packaging, Aluminium Products, Caribbean Metal Products, Colgate-Palmolive, Formfit International, United Printers, West Indies Lighting Products and others.* Jamaica has also been helped, of course, by the large investments in bauxite and gypsum by *Kaiser, Aluminium Ltd., Reynolds and U.S. Gypsum,* amounting to $[illegible]48,000,000 by the middle of 1959.

In Sum

Both Jamaica and Puerto Rico still have their problems, of course. Both have an unfavorable balance of trade of long standing. Further industrialization should take care of this problem in the long run. Continued population growth will pose another important problem for the two areas, and emigration is at best only a stop-gap solution. Here, again, industrialization should improve this situation. The Puerto Rican birth rate has already declined substantially, from 40.55 per 1000 in 1930 to 31.9 today.

A problem which has begun to worry the Puerto Ricans recently has been the fact that wage rates on the island have been rising faster than productivity, thereby substantially narrowing the wage gap with low-wage areas in the United States.

Commonwealth and federal agencies, ignoring the fact that unemployment is still high, and that a large part of the attractiveness of the island for U.S. investors consists in its low wage rates, have been raising wages artificially by administrative fiat, in a misguided attempt to match U.S. rates.

At the present time wage rates in Jamaica average only one-fourth of rates in Puerto Rico. Already one button factory has moved from Puerto Rico to Jamaica and the artificial flower industry has largely shut down because of competition from Japan. *In some cases labor costing one dollar per hour in Puerto Rico costs one dollar per day in Ja-*

(Please turn to page 696)

maica. If Puerto Rico is to continue its present high rate of growth, wages will have to be left free to find their natural level.

On the whole, however, the experience of Puerto Rico and Jamaica in promoting industrial development has been most gratifying, and may serve as an exple to other underdeveloped countries, many of which do not invest in their own economies, depend upon outside help to an unrealistic degree, waste vast sums in graft, inefficiency and unnecessary military hardware, and spend their energies in fruitless international squabbles. The Puerto Rican and Jamaican peoples can look forward to a bright future, and have themselves to thank for it. END

Change In Earnings Trends For Food Processors and Merchandisers

(*Continued from page 683*)

on "convenience" items. At least one firm each in corn refining, baby foods, canning and biscuit and cracker groups enjoyed larger profits in 1959. *But these four branches of the food business were subjected to price weakness and intense competition which resulted in declines in net income for most companies.*

Those concerns with any considerable proportion of their business in animal foods also fared poorly in 1959 because lower farm incomes cut down the use of prepared foods and caused a definite weakening in prices.

As a result of mounting supplies of wheat in the United States, both the largest flour millers had their earnings reduced by a protracted weakness in flour prices and increased competition in prepared cake mixes.

In the face of growing domestic competition some American food companies have sought more foreign business, inspired by the example of **H. J. Heinz Company,** foremost exponent of overseas expansion, which derives about half of total corporate sales and over three-fourths of total net income from foreign subsidiaries. While the development of foreign business seems a logical and profitable step, it is sobering to reflect that the food company whose achievements in recent years are most admired, **General Foods,** has been only what itself calls "moderately aggressive" in exploiting the market for its products in other countries. To date, GF has limited its participation to a few foreign countries and only then on a relatively modest scale.

What's Ahead

The current years seems to hold more promise than 1959 for food processing companies, but many of the pressures on profits remain. The Department of Agriculture forecasts that although somewhat above 1959 figures, both farm prices and farm income will continue low during most of the year. On the other hand, the prospect is that general business will be relatively active, and no labor trouble of the magnitude of last year's steel strike seems likely. Consequently, it seems reasonable to expect that consumption of food will show the normal increase, and probably more. Canned goods prices seem to be stabilizing. Competition is not likely to ease in any food line, and may intensify in animal foods, baby foods, and prepared cake mixes.

Meantime, the index of stocks of food companies stays high, having registered a net gain of about 13% in 1959, following an advance of nearly 35% in 1958. An examination of the records of individual stocks in this group, however, reveals that many reached their highs early in 1959 and slipped considerably in the last six or eight months of the year.

Under these circumstances, investment in food stocks needs to rely more on the positions and prospects of individual companies than on industry trends. To aid investors in making intelligent selection of food processing stocks we have included brief comments on the leading companies.

Shifts in Positions of Retailers

The retailing branch of the food business exhibits a somewhat more consistent pattern. However, last year was not an easy year for the food chains in which to establish new records in sales and profits. While the economy as a whole experienced a remarkable recovery from the 1958 recession, food chains found it difficult to match the earnings level of the preceding year. Although five of the eleven chains reviewed in this article had lower earnings in 1959 than in 1958, four of them can blame the decline on labor troubles rather than on management conditions in the trade. **American Stores** and **Great Atlantic & Pacific** both suffered substantial losses of business and profits as the result of strikes last year; **ACF-Wrigley, National Tea** and **American Stores** also suffered because many of their units are located in areas populated by steel workers whose earnings in 1959 were either nonexistent for several months or so reduced as to cause these consumers to turn to less expensive, lower-margined wares.

The dip registered by the fifth chain, **First National Stores,** was hardly large enough to require explanation, but it certainly cannot be ascribed to labor trouble. One possibility that suggests itself is that the chain may have been more affected than others by declining prices of farm products and foods because it manufactures a large proportion of the products it sells.

In general, last year was a rather good one for the grocery chains. Based on results tabulated for the first nine months, it would appear that profits in this field were about 10% higher than they were in 1958. Moreover, the prospects are for fur-

ther progress in 1960 for most of the companies. Programs of expansion, modernization, relocation and enlargement continue unabated; and many chains are still adding non-food to widen gross margins. Almost all chains report that the percentage of higher marginal non-food sales is rising rapidly. Promotion and merchandising efforts are being maintained and probably will be increased, The downtrend in food prices is likely to continue but the retail chains are considered likely to maintain their share of consumers' food expenditures.

Too High on Price-Earnings Ratios

It is perhaps surprising, in view of the foregoing, that the index of grocery chain stock prices trended pretty consistently downward during 1959, losing about half of the ground gained by the rapid advance of 1958. Moreover, the food chain stocks have been weak, along with the rest of the market, during 1960, so far. The explanation seems to lie in last year's shift in public preference from the food chains to the more glamorous industrials, partly because the grocery chains had reached levels high in relation to earnings, dividends and prospects. In addition, the former fervor for expansion through merger was dampened by anti-trust action, acting as a temporary check to achieving greater sales growth. While new stores are being opened up advantageously in some areas, there is already a condition of saturation in others.

Even after the 1959 readjustment, food retailing stocks seem less attractively priced, measured by price-earnings ratios and yields, than the food processing stocks. There is hardly any one of the grocery chain issues which can be described as a bargain, although many of the companies continue to be progressive and efficient, with fine management as demonstrated by impressive past records. While prospects for 1960 seem more favorable than they did in 1959, it is difficult to escape the conclusion that food retailing holds only average promise as a field for investment at present.

END

Therapeutic Effect Of A Corrective Recession On Our Economy

(Continued from page 656)

In fact, the cheapness in fabrics in addition to creating a multitudinous number of fashions, has led to a general deterioration in taste to the lowest levels, especially among the young—a far cry from the day when we were establishing high standards in wearing apparel and in our general mode of living.

But more than that, this uneconomic stimulation of sales through inferior products and constant drastic changes in new models clearly shows the feverishness of our efforts to keep excessive capacity at a high level. That the buyer is satiated is plainly shown by the efforts to drum up trade by extending credit to irresponsible 15 year olds.

Clearly, the seeds of economic disintegration are already contained in this situation, and com-

mon sense demands that we call a halt to the use of hypodermics thus far employed to stimulate activity, and to put a stop to "bait" advertising and high pressure methods that can only lead to an ultimate fiasco.

Unwillingness To Face Facts

The results of a refusal to face economic facts may be that the distortions will continue to grow, eventually culminating in a general crisis.

The only reliable antidote lies in a policy of orderly deflation *to the extent at least of eliminating the enormous waste.* In reality, it is misleading even to refer to this course as a "policy," for it would be a natural development if only the present artificial stimulants were removed. It should not be pretended that this process would be painless—but the longer we wait before applying this therapeutic the more severe it will be.

For us it would not even mean the degree of austerity the British endured to put their economic house in order following the war, because we would be merely reducing what we might call the "gadget" area of our economy. And it would be worth the price, for this orderly deflation would strengthen us politically and economically. It would help us to put our house in order and lay a sound foundation for future growth.

We all know we do not want a currency devaluation, nor do we want a gold embargo, which would have the same effect. What we need is the clear thinking that comes of settling our problems realistically in order that we may be equipped to meet the challenge of the revolutionary world in which we are living. END

Comparison Of Investment Values In 14 Major Finance Companies

(Continued from page 677)

extended operations into three states (Mississippi, Montana, and Nevada) and opened 35 new offices. The dividend was raised last year to $2.60, the payout amounting to 54%.

Seaboard Finance Corporation, third largest in the small loan field, reported a modest gain in earnings last year. International Charge, Inc. was formed in 1959 to operate a credit card plan. A revolving credit check plan has been introduced. These diversification efforts may aid a small earnings improvement expected for 1960.

Formerly almost exclusively in the factoring business, **James Talcott, Inc.** has made good strides towards diversification of interests in order to lessen dependence on the textile industry. Foreign expansion has not been neglected as a recent company announcement pointed out that its Puerto Rican subsidiary, formed only in 1958, is operating profitably already. Good growth has been shown with the uptrend in per share earnings expected to continue into 1960. The dividend, recently raised to a $1.60 annual rate, represents a 51% payout. END

Reappraisal of 1960-1 Outlook for Construction Industry

(Continued from page 673)

Outlook for Building Material Manufacturers

Full year sales and earnings of some of the major companies serving the construction industry compare favorably with 1959 results. However, this year, in many instances comparisons with the first half of 1959 will appear unfavorable due to abnormally high operating rates in last year's first half.

Gypsum manufacturers are likely to maintain a high earnings level in 1960. With the exception of the new Bestwall plant, they are free from new competition. Heavy capital outlays necessary in starting up gypsum manufacturing facilities are a protecting factor. Over the years this has led to a relatively steady price structure within the industry and has permitted maintenance of high profit margins. Also a favorable factor for these companies is their ability to generate large amounts of cash from depletion allowances as a result of owning their own raw material sources.

The leaders in this group are **United States Gypsum** and **National Gypsum.**

Plumbing and Heating Equipment manufacturers with a rec-

ord of wide cyclical savings have little to be happy about in 1960, since their profits are closely geared to dwelling starts which are expected to be down this year.

Air Conditioner manufacturers should find an improving market in 1960 with some carry-over demand that is reportedly following last year's hot summer and with distributor's inventory at a low level. An increasing number of new homes in the $15,000 to $22,000 price category are being equipped with year-round air conditioning systems which should also prove beneficial. **Carrier Corporation,** although hindered by serious labor problems, is the largest producer, but this field has become extremely competitive not only with independents such as **Trane Co.,** but also with divisions of industrial giants such as **G E** and **Westinghouse.**

Paint Manufacturers — the accelerating trend toward the do-it-yourself type of home modernization, as well as the anticipated increase in maintenance requirements and a strong industrial demand, should benefit the paint manufacturers as well as producers of *plywood, asphalt roofing* and *tiling*. However, a firmer price structure in the case of asphalt roofing and tiling may be necessary if profits are to show material improvement in 1960. Among the strongest companies favored in this group are **Sherwin-Williams, Johns-Manville, U. S. Plywood, National Lead** and **Glidden.**

In Conclusion

Some of the stocks in the building industry are rather fully priced at this time, even though selling at or close to their 1959-60 lows. In a declining market investments in the construction industry will be particularly vulnerable to further price weakness. From the standpoint of dividends, the companies so indicated in the accompanying table, should be able to sustain their present dividend levels.

Although price earnings ratios may be high in some instances, a glance at the relationship of price to cash earnings might afford the investor a better picture of the company's true earning power. Cash earnings are the net income available for common stock plus depreciation, depletion and amortization charges, divided by the number of common shares outstanding. You will find the cash flow figures computed and included in our table of comprehensive statistics comparing the position of 9 representative building supply companies. After complete balance sheets are released on additional corporations we shall present further discussions in future articles in relation to cash flow. END

Profit and Income

(Continued from page 685)

eras, it is far from saturated. Imports still have only a moderate portion of the domestic market and do not appear to be a major problem. Indeed, the leading U. S. company (Eastman Kodak) is itself an important factor in the foreign market, especially in Western Europe. Aside from Eastman, interest in the stocks centers in Bell & Howell and the sensational Polaroid. All three sell high on earnings. Bell & Howell and Eastman are priced in the vicinity of 25 or more times likely 1960 earnings. Of these two, Eastman is more entitled to a premium price. It is a good holding, a sound buy on fairly deep reactions. Polaroid is probably priced at something like 50 to 60 times 1960 earnings. There are good reasons why prudent people are scared to buy it and why most holders are scared to sell. If the company perfects its process for 60-second pictures in color, potentials for earnings would be broadly enlarged. If not, the stock is much too high.

Stock Splits

Comparing post-split and presplit share prices, you can say that stock splits have lost some allure, especially during the market decline from the early-January level. But there is still about as much interest as ever in future split possibilities. Here are some: Brown Shoe, Ford Motor, General Electric, General Foods, Minneapolis - Honeywell, Union Carbide and U. S. Steel. Of course, nobody can say when they might come. END

Resumption Of Orderly Decline

(Continued from page 653)

balance, if this has not been merely a temporary spurt which will soon be reversed.

Looking Ahead

The market will depend on whether the government revives the inflationary trend by stimulating business activity, which now seems rather unlikely. The prospects are for orderly declines in which technical rallies are bound to continue as typical of the thin markets which have been prevailing for months, and which afford opportunities for alert traders to "scalp" substantial profits on quick rebounds. —Monday, March 7.

The Trend of Events

(Continued from page 650)

around 6 million units—(less rather than more).

This would be well below the earlier optimistic estimates made by car producers. These called for retail sales of U.S.-built cars this year of around 6.5 million, plus about 500,000 imported cars. The American car producers were hopeful that the introduction of the new Big Three compact cars would reduce imports from the record-breaking 600,000 units chalked up in 1959.

The industry's sales figures thus far in 1960 do not bear out expectations of a sharp drop in imports. The sales curve of the latter vehicles appears to have levelled off at around 600,000, which represents a healthy 10 per cent of the American market. The foreign cars have been able to hold their own, because they still enjoy a substantial price differential under the sales price of American cars.

Originally, the car producers had mapped a record-breaking output of 2¼ million units for the first quarter. But, by mid-January, it was apparent that this program had been set at too high a level, and cutbacks were quietly made in the schedule. It now appears that first quarter output will not be over 1,950,000 units. This would still be 350,000 units over the total made in the first quarter of 1959. Downward revision appears to be more likely at this point than any upward boost in the production rate, because dealer inventories have risen to a million cars. This is more than enough needed to provide customers with a rather full choice, when they contemplate on-the-spot purchases. END

★★★ Book Reviews ★★★

Algeria in Turmoil

By MICHAEL K. CLARK

This is the most comprehensive account of the Algerian rebellion to appear in any language. It is a complete analysis of the political, religious, and ethnic realities that underlie the present Algerian struggle. In these pages, the rebellion, its background, and its consequences are described in detail. As a result, this book will prove invaluable not only to the student of African and Asian affairs but also to every general reader who is interested in one of the most important trouble spots in the world today.

Mr. Clark, who was for several years a *New York Times* correspondent in North and West Africa, first traces the history of Algeria from the closing months of Wold War II, when the storm clouds of the Algerian problem began to gather, to the outbreak of the nationalist rebellion in 1954. He follows the Algerian problems through successive phases of violence and repression, presenting his story against the complex background of Arab politics and of French confusion and vacillation. Simultaneously, he examines with remarkable clarity the difficulties which have arisen because of the existence within a single country of two disparate cultures — the one modern and technologically advanced, the other still bound by immemorial custom and an archaic system of law. In this context, Mr. Clark's detailed description of the Algerian rebellion gains depth and sharply challenges the validity of the simple dichotomy—colonialism or independence—by which the average American newspaper reader tends to view the Algerian poblem. In a final section, the author describes and discusses the events that brought General de Gaulle to power in the spring of 1958, together with the possible consequences of these events for Algeria.

Praeger $6.00

Triumph In The West

by ARTHUR BRYANT

This classic history—the collaboration of an outstanding historian and a brilliant military strategist—has been called "the most important of all contemporary personal records of the war." *Triumph in the West* follows Sir Arthur Bryant's 1957 best seller, *The Turn of the Tide*, and is the second and concluding volume in the author's dramatic account of the waging of World War II. Based on the personal diaries of Field-Marshal Lord Alanbroke, this volume spans the event-filled months from September 1943 to Lord Alanbrooke's resignation as Chief of the Imperial General Staff on June 25, 1945.

In these pages the reader comes to know intimately the great military and political leaders of those stirring days: Prime Minister Churchill ("...running through all our difficulties a bond of steel had been formed uniting us..."); General Eisenhower; Stalin; Molotov; Mountbatten; General Bedell Smith; Admiral King—men who, on the battlefield and in the conference room, brought the most terrible of all wars to an end.

From the clashing controversy with the American leaders over the Second Front and over the British counter-attack in the Pacific to the spine-chilling tension waiting for the weather to break on the eve of the D-Day landngs—each momentous event is reported in absorbing detail by the man who, as Churchill's most trusted adviser, participated in every major policy decision. Later, when the Allies had secured a foothold on the Continent, the war entered a new phase and Lord Alanbrooke was confronted with such questions as: the flying bombs which were demoralizing the English and seriously curtailing home production; the problem of immobilizing the retreatng German ground forces without bombing French civilians; the crossing of the Rhine; the British objectives at the Yalta Conference . . .

Honesty, candor, sympathy, humor—these are the qualities that shape this extraordinary history-memoir. Filled with sharp insights into the strengths and weaknesses of great and less-than-great men, with the confidence of a brave soldier whose devotion to duty transcended all personal considerations, and—like all good diaries—with the changing hopes and fears of the moment, *Triumph in the West* is history at its most exciting and immediate. Lord Alanbrooke's personal account of World War II as it was fought at the highest level, integrated into and complemented by Sir Arthur Bryant's brilliant narrative, will survive as one of the most important historical documents of the twentieth century.

Doubleday $6.95

The Magazine of Wall Street's
COMMON STOCK INDEX
1960 Grouping of the Component Issues

H—Component of the HIGH PRICED STOCK Group
L—Component of the LOW PRICED STOCK Group

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H—Deere
Int. Harvester
L —Minn-Moline
L —Oliver

3—AIR CONDITIONING
Carrier
L —Fedders-Quigan
H—Trane Co.

9—AIRCRAFT
H—Bendix Aviation
Boeing
Curtiss-Wright
Douglas
General Dynamics
Lockheed
Martin
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7—AIRLINES
L —Am. Air Lines
L —Braniff
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4—ALUMINUM
H—Aluminum Co. Amer.
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4—COAL MINING
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L —Lehigh Valley Inds.
L —Peabody Coal

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H—Amer. Tel. & Tel.
H—General Telephone
Western Union

9—CONSTRUCTION
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L —Certain-teed
H—Crane
Flintkote
H—Johns-Manville
Lone Star Cement
H—Nat. Gypsum
H—Otis Elevator
L —Walworth

5—CONTAINER
H—Am. Can
L —Container Corp.
H—Continental Can
L —Nat. Can
H—Owens- Ill. Glass

5—COPPER MINING
H—Anaconda
L —Calumet & Hecla
H—Kennecott
Miami
H—Phelps Dodge

2—DAIRY PRODUCTS
H—Borden
National Dairy

5—DEPARTMENT STORES
H—Allied Stores
H—Federated
Gimbel Bros.
Macy
Marshall Field

5—DRUGS—ETHICAL
H—Abbott Labs
H—Merck
Parke Davis
Pfizer
Schering

5—ELECTRICAL EQUIPMENT
H—Cutler Hammer
H—Emerson Elec.
H—General Electric
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H—Westinghouse Elec.

3—FINANCE COMPANIES
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H—C. I. T. Financial
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H—Gen. Foods
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4—INVESTMENT TRUSTS
Adams Express
L —Atlas Corp.
Lehman Corp.
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Distillers-Seagrams
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Schenley

7—MACHINERY
Am. Mach. & Fndry.
Babcock & Wilcox
H—Blaw Knox
Bucyrus-Erie
Caterpillar
Foster Wheeler
H—Worthington Corp.

3—MAIL ORDER
H—Montgomery Ward
Sears Roebuck
Spiegel

4—MEAT PACKING
Armour
L —Cudahy
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4—METAL FABRICATING
Bridgeport Brass
L —Mueller Brass
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L —Scovill

9—METALS, MISCELLANEOUS
L —Am. Metal-Climax
Am. Smelting
L —Am. Zinc
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H—Int. Nickel
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16—PETROLEUM
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H—Continental Oil
H—Gulf Oil
Phillips Pet.
Pure Oil
H—Richfield
Royal Dutch
H—Shell Oil
H—Sinclair
Socony
H—Stand. Oil Calif.
Stand. Oil Ind.
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L —Sunray-Midcontinent
H—Texas Co.
L —Tide Water Assoc.

16—PUBLIC UTILITIES
Am. Elec. Power
L —Cent. Huds. G. & E.
L —Columbia Gas
H—Consol. Edison
H—Consumers Pr.
Detroit Ed.
L. I. Lighting
L —New Eng. El. Svs.
Niag. Mohawk Pr.
L —Northern States Pr.
H—Pac. Gas & Elec.
Phila. Elec.
Pub. Ser. E. & G.
South Carolina E. & G.
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Southern Co.

6—RAIL EQUIPMENT
A C F Inds.
L —Alco Products
Am. Steel Foundries
L —Baldwin Lima
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18—RAILROADS
L —Atchison
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H—C. & O.
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L —D. & H.
L —D. L. & W.
L —Erie
H—Gt. Northern
Ill. Central
L —Lehigh Valley R. R.
L —N. Y. Central
North, Pac.
L —Penn. R. R.
L —St. L.-San Fran.
Seaboard Air Line
L —So. Pac.
H—So. Ry.
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3—SOFT DRINKS
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H—Coca-Cola
Pepsi-Cola

11—STEEL & IRON
H—Armco
H—Beth. Steel
Colo. Fuel & Iron
L —Detroit Steel
H—Inland Steel
L —Interlake
H—Jones & Laughlin
H—Nat. Steel
H—Republic Steel
H—U. S. Steel
H—Youngstown Sheet

4—SUGAR
L —Cuban-American
Great Western
L —Manati Sugar
L —Vertientes-Camaguey

2—SULPHUR
L —Freeport
L —Texas Gulf

11—TELEVISION & ELECTRONICS
L —Admiral
L —Emerson Radio
L —Gen. Instrument
Int. Tel. & Tel.
Magnavox
H—Motorola
Philco
H—R. C. A.
Raytheon
H—Texas Instr.
H—Zenith

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Am. Viscose
L —Burlington Inds.
L —Celanese
L —Textron
L —United Merchants

3—TIRE & RUBBER
H—Goodrich
H—Goodyear
H—U. S. Rubber

5—TOBACCO
H—Am. Tobacco
H—Liggett & Myers
Lorillard
H—Philip Morris
H—Reynolds Tob. "B"

3—VARIETY STORES
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H—Woolworth

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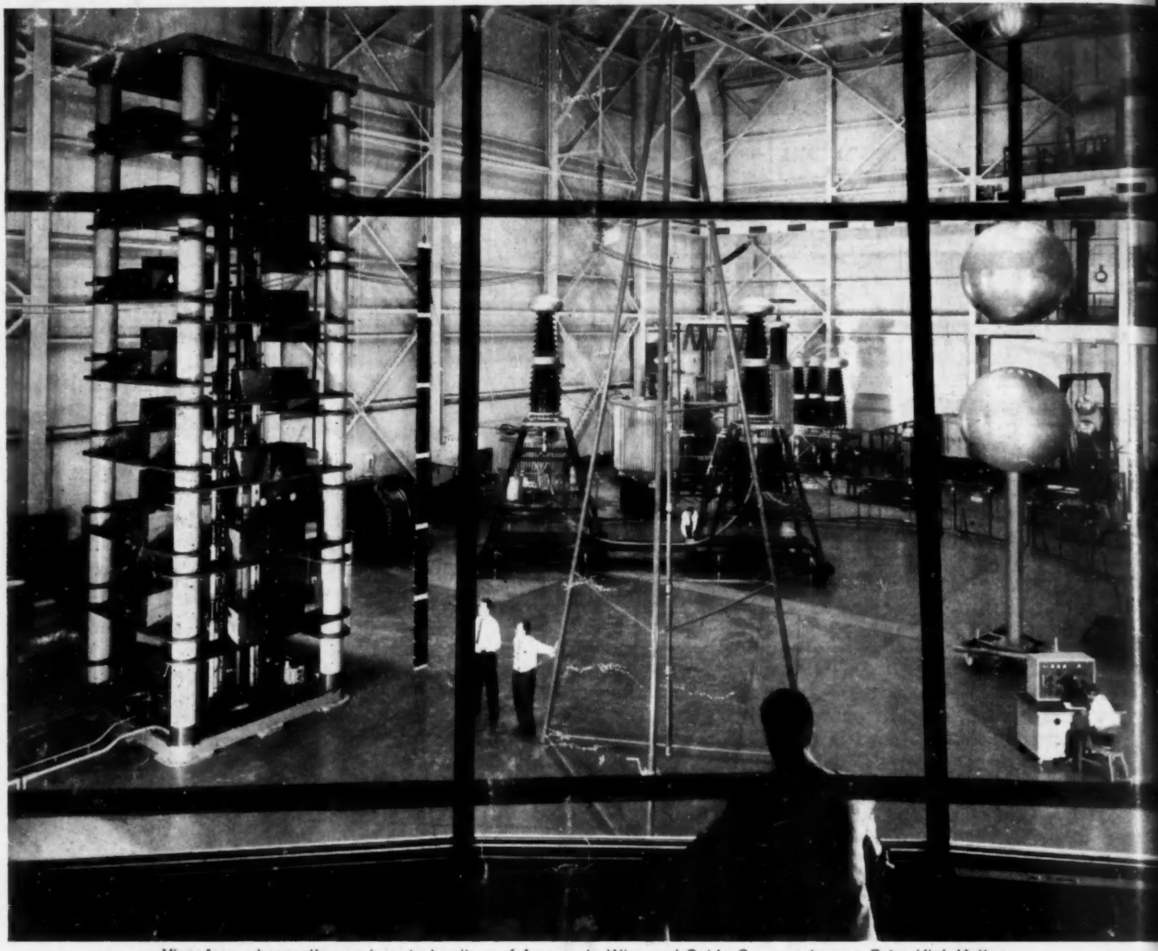
L —Continental Motors
L —Curtis Pub.
L —Fairbanks-Whitney
L —Fawick Corp.
L —Gen. Am. Inds.
L —Graham-Paige.
L —Greyhound
L —Heyden-Newport
L —Screw & Bolt
L —Symington-Wayne
L —United Industrial
L —U. S. Inds.
L —United Whelan



View from observation and control gallery of Anaconda Wire and Cable Company's new *Extra High Voltage* Cable Research Laboratory, Hastings-on-Hudson, New York